

1 CHAIR JAMES: Thank you very much. With that I would  
2 like to open it up for discussion, and to encourage interaction  
3 among our panelists as well, and to invite those of you who are  
4 invited organizations to please feel free to use the microphone  
5 that is provided for you to participate, as well.

6 COMMISSIONER LEONE: I have a couple of questions of the  
7 NCAA representative, because I'm sure you have thought about this  
8 a lot more than we have. In these discussions of a wide variety  
9 of gambling activities, one of the arguments usually used is that  
10 there is not much you can do to limit it, if people really want  
11 to do it, they are going to do it.

12 I always find those arguments a little -- I mean,  
13 people are going to commit murder if they really want to, but  
14 that doesn't mean we shouldn't make it illegal. But nonetheless  
15 it comes up, and there is no area I can think of where the  
16 problem is as persistent, and where the actual outcome is as  
17 confusing, at least to me.

18 I know that the NCAA and the professional sports  
19 organizations have all opposed gambling on games, for obvious  
20 reasons, ultimately they might erode the integrity of the game.

21 But it also seems, from common knowledge, that gambling  
22 goes on on a broad scale, regardless of this and regardless of  
23 its illegality.

24 And I would just like you to reflect with us a little  
25 bit on what the lessons are of, I presume, decades of trying to  
26 deal with this conflict, the dissonance between the real world  
27 and the world you are trying to shape.

28 MR. SAUM: Well, I think it would be fair to first say  
29 that geez, the problem is so overwhelming, and most of society

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1 accepts it, and they view it as a victimless situation, let's  
2 move on.

3 Certainly the NCAA is concerned about the integrity of  
4 our games, but the primary reason we are involved in this is for  
5 the personal integrity, and the personal safety of our athletes.

6 And I won't go on and on with the experiences that we  
7 have had, just in the last two years. But we have first-hand  
8 experiences of athletes being threatened, of college regular  
9 students being threatened because of their debt, because they  
10 haven't paid.

11 We have a bookie in a particular case, who had been  
12 transported to another city, another metropolitan area, because  
13 that student bookie was not operating his business correctly, and  
14 he was physically harmed.

15 We can make a difference. We are starting to make baby  
16 steps forward by merely talking about it. I think the NCAA, and  
17 I as a person receive no credit for this. It is our President,  
18 Cedric Dempsey that deserves the credit.

19 I think we have taken an interesting angle. We stepped  
20 forward and said we have a heck of a problem. And we are talking  
21 about it. We haven't tried to spin this thing. We have a major  
22 problem on our campuses, we can remove the -- if we can take  
23 action with the student bookies on our campus, if we can convince  
24 our students and our student athletes that the activity is  
25 illegal, and that they should not accept it, we can convince our  
26 college presidents, convince our student affairs officers, I  
27 believe that that is a first step forward.

28 By just talking about it our athletes now understand  
29 the importance of the entire issue, and they understand that it

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1 is illegal. I would say to you that three, four, five years ago,  
2 because we weren't doing our part, that possibly our student  
3 athletes didn't even know that laying a 20 dollar wager with a  
4 student bookie in the frat house was a violation of rule, or  
5 illegal.

6 Today, I don't want to exaggerate, but today I really  
7 feel comfortable saying to you that our athletes, not all  
8 300,000, but I would tell you that the large majority of them  
9 know that it is a violation of our rules, and they know that it  
10 is an illegal activity.

11 MR. NESTEL: Can I just follow up? I think the  
12 strongest message that this Commission can send is that  
13 recognition of a problem among college students and youth, the  
14 gambling research, while not comprehensive every research study  
15 shows that college students are the most susceptible to problem  
16 in pathological gambling in all age groups, and that while it is  
17 widespread, and certainly socially acceptable, and we have ticked  
18 off sport touts, and we have ticked off the administrative and  
19 maybe even casino advertising coming down the pike about sports  
20 gambling, the issue here is, though it is acceptable, there is  
21 problems bubbling under the surface, maybe like binge drinking  
22 was ten years ago.

23 And that we have found that our administrators, not  
24 just athletic administrators, but the college administrators on  
25 campus don't recognize this as a problem, it doesn't smell, it  
26 doesn't -- a lot of this now with Internet gambling can go down  
27 privately behind closed doors. And it is hard to recognize.

28 And so the message that can be sent here is that we  
29 need to raise awareness. Bill has done a tremendous job in doing

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1 that, but because it is socially acceptable doesn't mean there  
2 aren't problems that are associated with this activity.

3 CHAIR JAMES: Well, I for one, would like to commend the  
4 NCAA for the work that you have done, and for bringing this issue  
5 forward on college campuses, and looking at all the data we know  
6 that if there is, indeed, any issue with adolescent gambling it  
7 is in sports wagering, that is what the things told us yesterday  
8 as we looked at the data yesterday. It seems like you are being  
9 very aggressive in that area.

10 COMMISSIONER LANNI: I have a few questions of Mr.  
11 Saum, if I may. You are an association. Is it a -- how are you  
12 -- are you organized as a limited partnership, what are you? Just  
13 an association? Non-profit?

14 MR. SAUM: Yes, sir.

15 COMMISSIONER LANNI: Not for profit?

16 MR. SAUM: Yes, sir.

17 COMMISSIONER LANNI: And your association, your funding  
18 comes from the individual members of the universities and  
19 colleges, I presume? MR. SAUM: There are membership dues, but  
20 they are very limited, Commissioner. Primarily our funding comes  
21 from our CBS basketball contract, the few weeks in --  
22 COMMISSIONER LANNI: Fair enough. I hate to guess why CBS does  
23 that, but that is a separate issue. If you didn't have the  
24 gambling aspect, I wonder if they would, I don't know.

25 One of the issues that I would have is that you are  
26 asking here for a fair amount of money that we would be  
27 requesting, in effect, for studies and other work on the behalf  
28 of the federal government.

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1           It seems to me that maybe it is appropriate here that  
2 God helps those who help themselves. My question is, what do you  
3 do with your individual members? I mean, wouldn't it be logical  
4 to have a requirement, to be a member of the association, that a  
5 university or a college that was a part of the association had a  
6 program in place that dealt, right first-hand, because you  
7 certainly have a much better chance dealing with college  
8 bookmakers on the campus.

9           Now, I have served on two different boards of trustees  
10 as chair of the board of trustees of a university, and a member  
11 of another one. And I always found the requirements of the NCAA,  
12 when it comes to this aspect were -- I will be kind, and I say  
13 minimal. They were basically non-existent.

14           And that always bothered me, because I think you have a  
15 much better chance to deal with this problem. You are never  
16 going to eradicate it, I think we have to accept that. But you  
17 have to deal with it in the most forthright manner possible.

18           I would think that the NCAA could have a requirement  
19 from the body that makes these decisions, that for membership to  
20 be maintained at the proper level that, for example, you go after  
21 people on recruiting violations, and suspend them and what have  
22 you. What if they didn't have a program in place that dealt with  
23 this, that was satisfactory to the overall body? I think that if  
24 you looked within your own organization to create some safeguards  
25 at the first and primary level, we would be better -- I think I,  
26 as one Commissioner, would be much more willing to support  
27 federal funding to help that particular process.

28           And you indicated the NCAA was willing to come to the  
29 plate. Well, I assume that you can't come to the plate with

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1 funding, although I would think you could go back to your  
2 individual organizations, member organizations, and ask them to  
3 fund some studies.

4 I mean, it is always easy for all of us to ask the  
5 federal government to put more money out. When they put more  
6 money out, it is our money. And I really do recommend,  
7 sincerely, that you go back to your own organization and members,  
8 and ask them to participate, I would make it a requirement, very  
9 frankly, that they have to have a program in place to maintain  
10 their membership. And if they don't have a program in place to  
11 deal with student athletes gambling or students gambling, or  
12 bookies on campus, all the studies in Washington will never allow  
13 that to be done away with, but you would have a much better  
14 chance if you do it at home.

15 I don't mean to be giving you a lecture, but -

16 MR. SAUM: I think those are all very fair thoughts.  
17 May I share a couple back?

18 COMMISSIONER LANNI: Surely.

19 MR. SAUM: The NCAA, for the past 50, 55 years, has  
20 always cared about the issue of gambling, but in September of '96  
21 they created the position which I'm fortunate enough to sit in.

22 In November they promoted that position to a  
23 mid-management level position within the association. There is a  
24 budget only for the issue of gambling. That budget is being  
25 proposed to triple its size this year. I don't know if it will  
26 end up there. But we are proposing to triple its size.

27 We are also proposing to add staff to the issue of  
28 gambling. We are willing to step up to the plate with money. It

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1 will not be substantial sums of money, it will be more money than  
2 we have ever spent in the past.

3 We also presently make several demands of our  
4 membership in regards to something so simple as just the rule  
5 that we continually share with you, but also with policies and  
6 procedures. And our own membership is really taking on this  
7 issue of gambling.

8 We have had, the University of Tennessee, Knoxville, in  
9 August hosted a seminar on their campus where 125 schools came  
10 and the University of Tennessee funded that with corporate  
11 partnerships.

12 The University of Connecticut will have one on April  
13 the 7th, where all the east coast schools will attend. Your  
14 points are very well taken, and we would be remiss if we weren't  
15 providing our own funding, providing our own manpower, or  
16 providing our own policies and procedures.

17 I'm not saying they are enough, they are not. Are we  
18 behind, yes. But I think we are doing something.

19 CHAIR JAMES: How would you address Terry's specific  
20 point about the NCAA having, as a part of its requirements for  
21 member organizations that they have programs and policies, and  
22 enforcement in place?

23 MR. SAUM: That is -- while not specifically as stated,  
24 I can't say we presently do it. But in a number of ways we do  
25 address that issue. At the present time there is a working group  
26 that is studying division one men and women's basketball. And  
27 there is a gambling subcommittee.

28 And the president of Ryder College is the Chairman of  
29 that subcommittee, and we had our first meeting, and he has

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1 directed the staff to develop an educational tool box that would  
2 be delivered to every institution in America, and that they would  
3 then be required to implement the tools, and the educational  
4 program, different for coaches, different for freshmen,  
5 sophomores, juniors, different for student managers, etcetera.

6 So that is in the planning stages. We have a  
7 certification program that all our institutions must pass the  
8 mustard, so to say, over many different issues, financial aid,  
9 enrollment, diversity, title 9, etcetera. But part of that also  
10 is the issue of gambling.

11 But certainly our institutions' feet must be held to  
12 the fire.

13 MR. NESTEL: If I could also just interject. We are  
14 asking for some government funding, and we were proposing that.  
15 I think the reason is, is because when we started to look for the  
16 hard science that revealed that gambling was a problem, there are  
17 studies out there, and they are all pointing in the same  
18 direction. However they aren't anything really comprehensive.

19 COMMISSIONER WILHELM: If I might. You guys are  
20 uniquely positioned to do something about that. I mean, I would  
21 associate myself with the Chair's commendation of the NCAA's  
22 efforts in this regard, I agree with that. And I would also  
23 associate myself with Commissioner Lanni's suggestion with  
24 respect to specific requirement of membership in your  
25 organization.

26 But you represent America's colleges and universities  
27 which are, by a considerable margin, the location of most of the  
28 research capability of this country. It seems to me that in view  
29 of the fact that your sports programs are the principal generator

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1 of the betting problem that you are talking about, and I don't  
2 mean by that to blame your sports programs.

3 I don't bet on college basketball, but I'm a college  
4 basketball nut, so I'm not suggesting that that is your intent,  
5 or anything like that. I don't want to be misunderstood in that  
6 regard.

7 But the fact is, as you know, your programs generate  
8 most of this betting. So, you know, to me it is an analogy with  
9 the legal gambling industry. I don't happen to believe, for  
10 example, with respect to casinos that the casino industry sets  
11 out to contribute to the compulsive gambling problem, but the  
12 casino industry albeit belatedly, is stepping up to the plate  
13 with respect to recognizing that that is one consequence of their  
14 activity, just as sports betting is one consequence of your  
15 activity.

16 And they are beginning to do something about it, they  
17 have established a center for responsible gaming, along with some  
18 of the machine manufacturers. My own view is there ought to be a  
19 lot more money from a lot more companies in it, and I also think  
20 that other parts of the legal gambling industry ought to  
21 similarly step up to the plate.

22 But, you know, they are on that track. Colleges and  
23 Universities of America are in the best position, the  
24 institutions to deal with the problem that you are describing,  
25 that there is not enough knowledge.

26 And it would seem to me that the NCAA really could take  
27 the leadership in getting your member institutions to treat this  
28 as a research priority, and I don't see why they need to go to

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1 the federal government. My goodness, your institutions have  
2 massive research capabilities.

3 And I don't mean by that that they have extra money  
4 laying around, colleges and universities, for the most part, are  
5 squeezed in this country, financially. But they have the ability  
6 to find research money when they institutionally concluded that  
7 something is important.

8 So it would seem to me that not so much in the area of  
9 the NCAA funding this kind of activity, which doesn't seem very  
10 realistic to me, but rather in the area of pushing this issue  
11 with your member institutions, get them to do the research.  
12 There is an enormous vast amount of research needed in this area.

13 MR. SAUM: That is very fair.

14 CHAIR JAMES: As a Dean at a University that has to  
15 raise money, I can tell you, I wish we had a football team. A  
16 winning football team, that is right.

17 And just knowing the amount of financial resources that  
18 sports generate in a college, and in a university environment,  
19 while you are to be commended for the educational opportunities  
20 that you are affording on this particular issue, on college  
21 campuses, we could be a whole lot more creative, I think, in my  
22 mind for looking at ways of attacking this particular problem.  
23 Particularly if we are coming from colleges and universities.

24 COMMISSIONER BIBLE: To what extend do you think sports  
25 wagering creates demand for the product you sell the broadcast  
26 rights of amateur athletics, and broadcast rights of professional  
27 athletics?

28 MR. SAUM: Commissioner Bible, we -- first of all there  
29 are no studies, that we are aware of that at the NCAA, and in my

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1 conversations with the professional leagues that indicate either  
2 way, first of all. So I think the best we can do is give our  
3 experiences and personal thoughts.

4 We do not believe -

5 COMMISSIONER BIBLE: Wouldn't that be something you may  
6 want to study, because you may be able to eradicate the problem  
7 just by cutting off broadcasting?

8 MR. SAUM: I don't think Las Vegas would want that to  
9 happen.

10 COMMISSIONER BIBLE: I'm sure they wouldn't. I'm just  
11 curious.

12 MR. SAUM: We do not believe that our ratings during  
13 the NCAA tournament are based on gambling. We do not believe  
14 that. When we -

15 COMMISSIONER BIBLE: You don't believe that, but you  
16 don't have any empirical evidence?

17 MR. SAUM: No, nor does the gambling industry have any  
18 academic evidence that indicates that our ratings are based on  
19 gambling, either.

20 COMMISSIONER BIBLE: Yes, because to some extent the  
21 gambling industry helps you. I can think of at least one example  
22 where they notified you about line changes or something funny  
23 going on, and they discovered some problems, and you are now  
24 monitoring, I think, line changes routinely in your offices.

25 MR. SAUM: The NCAA has absolutely no desire to get an  
26 eighth of a TV rating off of the gambling industry. The  
27 relationship that we have with Las Vegas is one that we talk  
28 about openly. If we are going to battle this problem we need  
29 everyone's assistance. We help Las Vegas, Las Vegas helps us.

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1 We have a computer right in my office that monitors the  
2 line, and you know better than the rest of us how we can work  
3 through that if the line changes.

4 We have relationships with Vice Presidents of -- and  
5 sports book directors that we can call and make contacts with. I  
6 care not to share who those folks are. But, yes, we do have  
7 relationships and we are not afraid to say that we do. And we,  
8 again, are in this to protect the safety and integrity of our  
9 kids, and the integrity of the contest, and when needed we will  
10 use that.

11 COMMISSIONER BIBLE: Because at least from my opinion, I  
12 think a lot of sports wagering is essentially harmless. I think  
13 if it takes on a different character when it is conducted on  
14 campuses, when it is done by youth, when it affects players, and  
15 when it becomes a commercial activity that is unregulated and  
16 untaxed, then I think it becomes a problem.

17 But I think wagers between friends and things of that  
18 nature, I mean, I can't get too upset over that.

19 MR. ANGEL: We are, again, directing our attention to  
20 the youth. And even the legal sports wagering is a concern for  
21 our youth, because what we are seeing, Daniel alluded to it, is  
22 this binge behavior.

23 Our students live in a protected society on our college  
24 campuses. And their behaviors during those years is different  
25 than the years as soon as they leave. Some students grade out as  
26 alcoholics while they are enrolled in colleges. But the moment  
27 they leave and enter the professional world, they are no longer  
28 alcoholics.

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1           So we are concerned about sports wagering for our  
2 youth, and of course, philosophically we are against all sports  
3 wagering, because we believe we should just watch the game for  
4 the spontaneous action and reaction.

5           COMMISSIONER BIBLE: Do you have any office pools at the  
6 NCAA offices?

7           MR. SAUM: That is a fair question. And as one of  
8 those people that grew up despising that perception is reality, I  
9 now believe that perception is reality. And two years ago the  
10 NCAA always had a bracket selection, never a pool to put money  
11 in, never had money put in it.

12           Two years ago we canceled the organized bracket  
13 selection because of the perception was we had a pool. So the  
14 answer to your question is a resounding no. And that is a  
15 violation of our rules, so that should not be occurring on our  
16 college campuses, either.

17           COMMISSIONER MCCARTHY: Mr. Saum, I want to thank you  
18 and Mr. Nestel for coming here today and providing some specific  
19 recommendations in response to my request, after you testified in  
20 Las Vegas. I think it was Las Vegas, wasn't it.

21           And I would like to thank Mr Dempsey for showing some  
22 leadership in this area. It is obvious that something has  
23 happened in the last three or four years in the NCAA leadership  
24 that is recognizing this problem, and trying to move on it, after  
25 a long period when, despite scandals nothing was being done.

26           We are faced on this Commission with a rather huge  
27 scale of problems and what we finally choose to recommend to  
28 Congress, of course, as they face their own huge scale of a wide

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1 range of different kinds of problems, and not just gambling, has  
2 to be pretty compelling to persuade them to act.

3 And you can tell from some of the questions you  
4 received so far, that this is true. So I would certainly be  
5 willing, as just one member of this Commission, to take very  
6 seriously some of your recommendations about changes in federal  
7 law, or state law, or whatever was relevant.

8 But as Mr. Lanni was suggesting, anything that the  
9 NCAA could do to establish it is breaking its neck to try to stop  
10 sports betting, any form of gambling that is going on among  
11 students, would certainly reinforce any case that was attempted  
12 to be made before Congress.

13 So let me ask you these couple of questions. I don't  
14 know what your data base is that you keep now as far as sports  
15 betting on campuses that are affiliated members of NCAA. How  
16 good is the data base that you keep as far as a recordation of  
17 betting incidents gathered from law enforcement sources, from the  
18 observation of individual campus management, people, how good is  
19 your data base?

20 MR. SAUM: I would say that it is average, and it is  
21 because it is still in its infancy, because we have just been in  
22 this business since '96. We have developed relationships with  
23 the FBI, we held a two-day seminar this past summer, the NCAA  
24 hosted it, paid for it, for 60 FBI agents and spent two days only  
25 on sports wagering.

26 I mentioned attorney general Reno's advisory council  
27 that we visited with. We are in communication with the state  
28 attorney generals. I'm just starting to step out with some of

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1 the state gambling regulatory agencies, and developing  
2 relationships with those individuals.

3 We are very close with the pro leagues who have  
4 security reps in each city, and we are developing, we are going  
5 to -- we each are going to contribute significant funding for a  
6 year 2000 security summit that will address gambling issues. So  
7 average.

8 COMMISSIONER MCCARTHY: With a data base, I know you  
9 appreciate, it would be much easier to persuade the leadership of  
10 individual campuses within the NCAA to grant some rather far  
11 reaching authority.

12 Let me ask you, if you find pervasive and repeated  
13 violations, gambling violations of NCAA rules, on a specific  
14 campus, what is the worst punishment you can mete out?

15 MR. SAUM: Well, in regards to a campus, an  
16 institutional punishment, we would be charged with determining  
17 whether the institution knew, or should have known it was going  
18 on. And I'm sure what comes to mind, for many of you is the  
19 issue at Northwestern University, because they had two point  
20 shaving cases, in a matter of about 15 months.

21 There -- as easy as it is for a columnist to write a  
22 story saying they should have known, they actually, to us, are  
23 the prototype of how to conduct an investigation. Within 12  
24 hours of discovering that there were allegations about athletes  
25 wagering, they had hired outside legal Counsel who was a former  
26 AUSA, and did a complete investigation, turned it over to us, and  
27 the United States Attorney, and but for Northwestern doing that,  
28 we wouldn't have those cases as we sit here today.

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1 COMMISSIONER MCCARTHY: Yes, I wasn't so much thinking  
2 about Northwestern. There have been incidents at a number of  
3 campuses around the country. But if you have a body, a procedure  
4 that says you are expected to establish this procedure, a  
5 violation will lead to this. Repeated violations will lead to  
6 this.

7 Going so far as to kick them out of your organization  
8 so that they couldn't play football, or some other sport, with  
9 any other sports team that was a part of the NCAA?

10 MR. SAUM: On an individual basis we have a policy and  
11 procedure for both our athletes and our coaches. There was  
12 division 3 men's basketball coach suspended for 50 percent of the  
13 season this year because he wagered approximately 350 dollars.

14 We have the precedent that I would be happy to provide  
15 to the Commission in regards to athletes who have been suspended  
16 since 1995. I can go back as far as you wish, actually, but the  
17 data is most impressive since '95, because we have increased our  
18 investigations, and because we have also increased the penalties  
19 If you bet on or against your team you are done playing in the  
20 NCAA. If you bet three or four, or five hundred dollars, you are  
21 done for half the season. And if you get up into the thousands,  
22 you are done for a year. Each case is evaluated on its own facts  
23 and merits. But generally speaking what I just said occurs.

24 COMMISSIONER MCCARTHY: Is there any thought given to  
25 actually disenfranchising an entire campus for any serious  
26 violations, or repeated violations?

27 MR. SAUM: Our enforcement procedures and policies  
28 allow us to take action if we prove the institution knew or  
29 should have known, or if there was a -- if the administration or

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1 coaches knew or should have known. To date we have not proven  
2 that.

3 COMMISSIONER MCCARTHY: This all gets back to what kind  
4 of a data base you keep and what, at least, a pretty good outline  
5 of which you share with all campus officials as to how pervasive  
6 sports betting is on so many NCAA campus.

7 Without that you are not really in a position to impose  
8 very heavy penalties. It seems to me that if you kick an entire  
9 team out of a sport for a full year, that is going to ring a lot  
10 of alarm bells, and it is going to get the attention of a lot of  
11 campus officials.

12 MR. SAUM: This working group that I mentioned about  
13 basketball, the gambling subcommittee, is currently evaluating.  
14 I have no idea where they will end up, but they are currently  
15 evaluating zero tolerance.

16 And finally, Madam Chair, if I may, I learned a long  
17 time ago that I can create a Christmas list, but when I wake up  
18 in the morning, everything is not there, and it is still a  
19 wonderful day. So let's not get hung up on the research.

20 COMMISSIONER MOORE: Following up on Mr. Lanni's  
21 suggestion, most colleges, you know, they give most anything to  
22 belong to the NCAA. I mean, they cherish that, that is big  
23 money, specially if you are a basketball team, all you have to do  
24 is go to one game in the NCAA tournament, and you get some pretty  
25 good pocket change.

26 So following up on his suggestion of making it a rule,  
27 I mean, making the requirement that they enter into a program  
28 like this, to belong to the NCAA, I believe all of them would  
29 join. I don't believe a one of them would not join.

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1 I mean, maybe some of the smaller, I just don't believe  
2 that they wouldn't, because the smaller ones are trying to get  
3 in, they think that they are going to get to the basketball  
4 tournament.

5 Now, if you go ahead and carry that a little further,  
6 there is also a suggestion by Mr. Wilhelm here about the  
7 research capabilities. You know all of the presidents and  
8 chancellors, you deal with all of those, with all the  
9 universities, you know them almost as well as you know the  
10 football coach because of your institution knows about it.

11 You know, you people put my school on probation several  
12 years ago. We put ourselves on probation. I mean, we deserved  
13 it. So everyone knows you, Alabama knows you, SMU really knows  
14 you. And so I think that these people -- I mean, I like this  
15 suggestion. I believe that these people will do it, and this may  
16 be the answer to all of this.

17 I don't think there is any more gaming probably on  
18 athletic events by college students than there are in the office  
19 pools. You know, they learned this from their daddies, they  
20 learned this from their mothers, and this would be a way to  
21 educate, because as you said they are going to be out of college,  
22 and I don't believe there are as many of these people running  
23 around betting, because they have to bet with their own money  
24 when they get out, and now they are betting with my money, my  
25 kids are, you know? But when they get out working, they are  
26 betting with their money, and I don't think there is that much  
27 going on, drinking as well. All of them in college, you know,  
28 drink good whiskey, and when they get out is too cheap.

29 CHAIR JAMES: We have a comment over here.

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1 AUDIENCE MEMBER: I just wanted to make a comment about  
2 research. The National Center for Responsible Gaming does have  
3 youth and college age as a priority. Five of our 19 currently  
4 funded projects are focused on youth, but none are really  
5 focusing on college age, even though we asked for that in our  
6 request for application. So we would love your help.

7 You know, when I put the request out, I go to all the  
8 major research universities, I try to go to all the professional  
9 associations, but a word from you all with the administrations of  
10 the major research universities, because it is so much easier for  
11 them to do these kinds of experiments, because their human  
12 subjects are right there.

13 We would love your ideas, also, for what kinds of  
14 projects you think would be helpful. Since we are both in the  
15 same -- are you still in the Kansas City area?

16 MR. SAUM: For a couple of months.

17 AUDIENCE MEMBER: Okay, we will have lunch before you  
18 move to Indianapolis, okay?

19 COMMISSIONER BIBLE: Do you have any sense as to the  
20 extent of organized crime's involvement on sport wagering on the  
21 campuses?

22 MR. SAUM: Commissioner Bible, when I accepted this  
23 position in September of '96, I traveled the nation to become  
24 educated. And spending time with law enforcement, I was told the  
25 following, and I will keep it brief, and then I will give you a  
26 first-hand example I was told that every student bookie in  
27 America is connected to organized crime in some way or fashion.  
28 We are not saying the students are mobsters. We are saying that

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1 where they lay their handles off, or the people lurking on the  
2 outside observing, are connected to organized crime.

3 In the Boston College football case, which was not  
4 point shaving, it was just betting, there were eight student  
5 bookies arrested. There were more than that on campus, but those  
6 were the eight arrested.

7 Those individuals reported to an adult in Boston. That  
8 adult in Boston reported to an individual in New York with ties  
9 to organized crime.

10 One of those student bookies is the one I referred to  
11 earlier, was not running his operation correctly, sent to New  
12 York, and nearly murdered. We do believe that there is a great  
13 organized crime influence involved in this.

14 In regards to law enforcement, I am no expert on the  
15 FBI, but what I'm told is that years ago they attempted to fight  
16 organized crime from the bottom up, and sports wagering is the  
17 major fundraiser for OC.

18 So they would take that away, and they thought that was  
19 the best way to fight organized crime. What we see now, though,  
20 is their theory is let's cut it off at its head. So instead of  
21 working up, and starting with the sports wagering industry, they  
22 are taking a different tact.

23 COMMISSIONER BIBLE: And that is the one area that  
24 certainly sport wagering gets out of the area of being fun, is  
25 when it gets involved with organized crime, and you have  
26 situations like you described.

27 MR. SAUM: Yes, sir.

28 MR. FAHRENKOPF: It seems to me one of the most  
29 expensive parts of dealing with this problem is public awareness.

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1 How do you get the message out. You people enter into contracts  
2 with all the major television networks, whether they are  
3 televising football, or basketball, or other sports.

4 Why not have a specific portion of your contract, a  
5 provision in your contract requiring CBS, NBC, ABC, to have  
6 public service announcements speaking directly to the youth of  
7 this country about the dangers of sport betting?

8 MR. SAUM: Frank, I think that is an excellent point,  
9 and last year we -- we spent 25,000 dollars a year on creating  
10 videos for our men's basketball programs, and we shrunk that ten  
11 minute video down to about a minute, and last year we showed that  
12 as a PSA during the NCAA tournament, and Jack Vaughn the great  
13 point guard, used to be with Kansas, was one of the speakers in  
14 there.

15 But your point is well made, and we are preparing  
16 another PSA for this March tournament. I would also share that  
17 we have a poster, a big large poster saying "don't bet on it".  
18 Well, we made that into a slide and we sent that to all 1,000 of  
19 our schools, and asked them to put that in their media guides,  
20 and their press guides, and to put it in their game programs.

21 So your point is well made. Can we do more?  
22 Absolutely, we can do more. Can we be more creative? Yes. This  
23 is not an excuse, but this is a journey that we are on, and a  
24 journey never ends, and we are not even at the mid-point of this  
25 journey, so we will continue to take those ideas, and yes, we  
26 need to do that.

27 CHAIR JAMES: Will you?

28 MR. SAUM: Will we do it, the PSAs?

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1 CHAIR JAMES: No, no. Will you do what was just  
2 recommended in terms of when you are negotiating contracts with  
3 major networks, have as a part of a contractual process that they  
4 will be required to do PSAs on youth sports wagering? MR. SAUM:  
5 We presently -- I will answer your question directly. We  
6 presently in our CBS contract have an agreement that X amount of  
7 minutes during March, the March madness tournament, must be  
8 dedicated to PSAs. Those PSAs we determine what they are.

9 So I can assure you there will be gambling PSAs. While  
10 I'm appreciative of sitting before you, I'm a mid level person.

11 CHAIR JAMES: You know, when I asked the question I knew  
12 that.

13 MR. SAUM: We will send it on. We will send it on.

14 CHAIR JAMES: Well, see, you can go back and say the  
15 Commission really beat up on me and said we have to do this, and  
16 -

17 COMMISSIONER BIBLE: I think the idea is an excellent  
18 idea, and I suggest that the Chair perhaps the NCAA and -

19 MR. SAUM: We are receptive to that idea, absolutely.  
20 We are very receptive to that idea.

21 COMMISSIONER LANNI: I would ask the chair to include  
22 the other points that Mr. Wilhelm raised, and that I raised,  
23 also.

24 CHAIR JAMES: Absolutely, I will do that and circulate  
25 the draft among the Commissioners.

26 COMMISSIONER LANNI: And maybe if it is all achieved we  
27 can recommend a promotion for Mr. Saum.

28 MR. WHYTE: I also would just like to add from the  
29 National Council's perspective, there is another way, working

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1 through the existing organizations in the non-profit arena, we  
2 have worked with the NCAA. But those contracts don't have to be  
3 negotiated directly with CBS, they can be through the existing  
4 non-profits.

5           Unfortunately we don't have any money to buy these  
6 contracts, but through in-kind donations, these are the kinds of  
7 things that the National Council, and State Councils are active  
8 in doing, and they are trying to do, and by working with the NCAA  
9 and others, we already have these PSAs developed, we just simply  
10 can't afford the air time.

11           But by working in cooperation with other groups we  
12 think that these kinds of ventures are possible.

13           CHAIR JAMES: So you are going to have lunch with her,  
14 and then you are going to have lunch with him, and get this done.

15           COMMISSIONER LOESCHER: I would like to ask Mr. Angel a  
16 couple of questions. I've sort of been studying, for quite some  
17 time, this internet thing, and it intrigues me. There is not  
18 enough information, and there is a lot of issues identified, but  
19 there is not very many answers or solutions that have come forth.

20           One of the puzzling things that I get reading the  
21 material, and what not, is there is always a lot of talk about  
22 foreign based Internet gaming, offshore people wanting to do  
23 their business in the United States.

24           And I'm wondering, you know, if there was to be  
25 Internet gaming could we preclude the offshore and just base  
26 Internet gaming from the United States, within the states, or  
27 within the barriers of the United States, and control it that  
28 way?

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1 MR. ANGEL: I believe the answer is yes. The  
2 observation has been made, by most of the witnesses here, that  
3 once responsible regulated companies enter the internet, they  
4 will draw the largest portion of market demand.

5 There is clearly interest by those regulated companies,  
6 what hasn't happened is there hasn't been a regulatory mechanism  
7 to start the process.

8 Now, there is a variety of interactive forms that we  
9 can conceptualize. As you know Powerball is a multi-state  
10 operation. The ability to purchase tickets on the internet is  
11 just an extension of that concept. I don't know if that would  
12 trouble you, but it is possible.

13 COMMISSIONER LOESCHER: A different question in that  
14 regard is licensing. You spoke, generally, of licensing in your  
15 presentation today, but I didn't have a clear understanding of  
16 where you thought licensing should begin.

17 In my mind's eye the states might have a role in  
18 licensing probably in the first instance, then we have the  
19 federal agencies with communications, telecommunications, and  
20 government enforcement, and what not.

21 But how do you envision a licensing system that could  
22 occur within the states or the United States?

23 MR. ANGEL: Under the model that we have proposed,  
24 licensing would begin primarily with the states, as they have  
25 been the primary regulators and licensors to date.

26 In foreign countries, national bodies occupy that role.  
27 In certain foreign countries, there are state apparatus. For  
28 example, Australia, where the different states and provinces also  
29 do their own licensure.

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1           Where we see a role for the federal government, is  
2 essentially establishing minimum standards, and operating as a  
3 vehicle to orchestrate enforcement by the states, and with  
4 specific reference to off-shore operators who are not present in  
5 the United States, and not licensed within the United States.

6           COMMISSIONER LOESCHER: You make the case against  
7 prohibition, and you beg for the notion of investigating a  
8 regulatory scheme. And you make the case that this probably  
9 should start at the states level, within their public utilities  
10 Commission, or whatever.

11           Is there a model, you know, we have seen model laws,  
12 model ordinances, model statutes, is there models from other  
13 places that would give us a beginning point to look at a  
14 regulatory scheme starting maybe from the state level?

15           MR. ANGEL: Yes, I believe there are. They exist today  
16 in the context of traditional regulation of gaming. Once again,  
17 the emphasis here is we are regulating the operator and the  
18 gaming product, we are not regulating the internet.

19           Where we can bridge into the internet is to create  
20 cohesion among the regulatory authorities, so that the vehicle of  
21 the internet is not misused, and responsibility rests with the  
22 regulators who are doing the licensing.

23           Now, there are -- there is a pecking order in the  
24 regulatory community, and the stereotype is that the third world  
25 nations that are looking for revenue have flimsy, if no  
26 regulatory apparatus whatsoever. But I don't believe that any of  
27 you would really dismiss Australia as a competent regulatory  
28 authority, and when Australia began to develop its own  
29 interactive internet gambling regulatory model, it gathered

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1 information from all the existing traditional regulatory basis,  
2 and then actually looked to the code of conduct developed by the  
3 Ken Council, and developed some specific provisions for that  
4 market, and they are moving forward, and gaming wages are  
5 accepted, interactive means are there today, and they are not  
6 limiting access by anyone in the United States.

7 So I think these trends need to be taken note of,  
8 because the exceptions will begin to swallow the rule, here.

9 COMMISSIONER LOESCHER: One other question. Curiosity  
10 kills me sometimes. I have been puzzling over where all this  
11 begins, and I keep hearing, you know, in Nevada that there are at  
12 least five of the major companies are looking at internet gaming  
13 and you mentioned the Bally's thing.

14 And there are at least four others that are. And they  
15 look at intra-state, within the boundaries of a state, to allow  
16 internet gaming to begin. Are there other states that are doing  
17 this kind of thing, people in other states? Because a state can  
18 regulate itself through its public utilities Commission, and can  
19 regulate its own -- by the legislature, and what not, can  
20 regulate what it is doing. And that is the first question.

21 Coupled with that, I'm intrigued by the notion of  
22 avoiding the Interstate Commerce Clause of the United States  
23 Constitution by having agreements between and among states.

24 And do you see that as a possible trend in this  
25 business?

26 MR. ANGEL: I clearly do. I think that there is a  
27 common understanding of what is recognized games, and if there  
28 were uniform acceptance of definitions of games, and appropriate  
29 limitations placed on access to those games, there might be some

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1 body of readily acceptable, non-controversial aspects of  
2 interactive gaming permitted.

3 And I think it is incumbent upon those states that want  
4 to take the responsible step forward, to group with others that  
5 want to discuss it. Clearly these trends are happening abroad,  
6 it is just a function of when it is the United States will make  
7 the very same steps.

8 I'm aware of the fact that New Jersey, at various  
9 levels, has begun an independent analysis, and I would expect  
10 that they would probably institute intra-state wagering forms at  
11 some point, as well.

12 Now, the 64,000 dollar question is whether or not you  
13 are permitted to accept wagers from citizens of other states that  
14 are restrictive on gaming raises all sorts of constitutional  
15 issues.

16 Really what we have seen, traditionally, in the context  
17 of states' control of gaming is rooted in the model that worked  
18 two or three decades ago.

19 Moving forward the balance is individual rights versus  
20 states' rights. And if adults may access these things without  
21 harm, with adequate social controls, then maybe states have a  
22 lessened role as we move more forcefully into the internet.

23 But it is a balancing approach, and it is not going to  
24 be determined in lock step, it is case by case movement forward.

25 COMMISSIONER LOESCHER: Lastly I think I have been  
26 studying the telecommunications industry for some time, and in  
27 some other business, but the technology in telecommunications  
28 from wire to cable, and the deregulation of that industry, and

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1 the investments that are going forward in that industry across  
2 America are very, very interesting.

3 And the thing that I wonder about is two- fold. One is  
4 the business of cable, can bring this business right into the  
5 living room, into the TV sets of our households in America. And  
6 that troubles me greatly.

7 And I wonder about that, but with wide band cable now  
8 you can do all kinds of things, and more and more every household  
9 in America is going to be wired that way, with cable, and not  
10 necessarily using the telephone lines.

11 And the business expansion that is capable because of  
12 this cable business into our homes, is explosive, and the service  
13 that you are promoting, and thinking about advocating a  
14 regulatory scheme to occur, can be unbelievably huge, and within  
15 a decade's time.

16 Has your people thought about that, and what are your  
17 views?

18 MR. ANGEL: Many are troubled by the prospects of  
19 in-home wagering, particularly as it becomes ubiquitous, offered  
20 over the television as opposed to rather sophisticated computer  
21 linkup. And I think the proper balance at this point still rests  
22 with state limitations on what gaming products may be offered  
23 through mass media.

24 Closer questions, from a legality standpoint, exist in  
25 the internet. So without jumping into whether or not at-home  
26 wagering is good for citizens, and good for society, I would say  
27 that states should continue to play the primary role in limiting  
28 access through mass media mechanisms such as television.

29 COMMISSIONER LOESCHER: Thank you very much.

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1 COMMISSIONER WILHELM: Mr. Angel, you have some very  
2 powerful arguments on your side here, the apparent inevitability  
3 of this technology, and its apparent ubiquitousness, the inherent  
4 difficulties of enforcement, particularly with respect to  
5 overseas operators, the spotty record, at best, of the whole  
6 concept of prohibition in this country, those are extremely  
7 powerful arguments.

8 And, in fact, I think a lot of us feel sort of like  
9 there is really nothing to be done about this in a lot of ways.  
10 But I think it is fairly clear that the principal reason this  
11 Commission exists at all is because of the exponential growth of  
12 all forms of gambling in this country, particularly in the last  
13 decade.

14 So to the extent that people on this Commission, or  
15 more importantly people in America are concerned about the  
16 concept that there may be something wrong with uncontrolled  
17 growth of gambling, so that everybody can gamble everywhere,  
18 anytime they want, how do you respond to that? It would appear to  
19 me that your -- unless I'm missing something your proposal would  
20 say that anybody who can meet a certain threshold of  
21 licensability, and I'm sure there is plenty people around who can  
22 do that, in terms of their own integrity, and in terms of the  
23 integrity of their games, and in terms of whatever other  
24 requirements somebody might invent for licensing, there would be  
25 lots of people who can meet those requirements.

26 In most states in this country, even to the extent they  
27 have gotten into more and more gambling, most states have granted  
28 a limited number of licenses. One of the reasons that there is a  
29 lot of contention with respect to tribal gambling is that there

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1 is so many reservations, and if they all have a casino then there  
2 is a lot more gambling than there used to be.

3 Detroit, the people of Michigan wisely or unwisely  
4 voted to have three casinos, not any number at all, three. I  
5 don't understand how, under your proposals, anybody could have  
6 any hope, whatsoever, of limiting the unending growth of  
7 gambling, both in terms of the number of operators, then in terms  
8 of the 100 percent availability to everybody in America.

9 MR. ANGEL: The short answer is, you know, there are  
10 foreign nations where gambling is prevalent, perhaps more so than  
11 even in the United States. And I recall Brian Farrel's testimony  
12 to that point, and he highlighted the ubiquity of gambling in  
13 different forms.

14 And it was his prediction that when internet gambling  
15 was added to the roster of games that people could play, and the  
16 way they could play, that it wouldn't fundamentally change the  
17 social fabric of this country, it was just offering another  
18 convenience, and that primary attention should be paid to making  
19 sure that the bad guys don't get in and defraud consumers, and  
20 moreover, that those people that need protection in society are  
21 limited from their access to the systems.

22 And I think that argument is pretty persuasive.

23 COMMISSIONER WILHELM: So your view is that it is okay  
24 if gambling is everywhere?

25 MR. ANGEL: I think it already is everywhere, and I  
26 think that the fact that the internet exists makes it everywhere  
27 now, today. So the more responsible path is to regulate it in  
28 whatever fashion you can utilize, rather than constructing, using

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1 the analogy again, a fence that needs to be enforced that  
2 ultimately will not be foolproof in deterring people.

3 COMMISSIONER LEONE: Why do you think there are attempts  
4 to limit the location of gambling as opposed to limit how many  
5 laundromats, or supermarkets, or Chinese restaurants we have, why  
6 -- what do you think lies behind the elaborate mechanisms almost  
7 everywhere, not just in the United States, that are designed to  
8 limit the number of gambling facilities; do you think there is  
9 anything behind that, or do you think that is a -- what do you  
10 think?

11 MR. ANGEL: Commissioner Leone, we are in complete  
12 agreement.

13 COMMISSIONER LEONE: You said it was everywhere in a  
14 context of saying that it was pointless to raise the issue of  
15 limiting it, because it is everywhere.

16 MR. ANGEL: No, I'm sorry, I perhaps didn't get my  
17 point across. The internet with its ubiquitous nature provides  
18 ready access to people who are unregulated. What I'm encouraging  
19 is that limitations be placed in that environment, as well, so  
20 that access not be obtained by minors, or that compulsive  
21 gamblers be blocked at the door when they are getting to the  
22 point of injuring themselves and their families I'm really in  
23 favor of the limitations that you address. Moreover, I'm just  
24 saying that on a more global level, there is a bit of hypocrisy,  
25 and legal invalidity if you construct arbitrary barriers, or you  
26 completely turn your back on the problem, we are doing nothing to  
27 limit.

28 We are in complete agreement that there are pervasive  
29 social issues associated with uncontrolled access. I'm just

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1 saying that exists today, the access exists today, and limits  
2 need to be constructed, and the best place to start is with a  
3 regulatory model, not a prohibition model.

4 COMMISSIONER BIBLE: Would you elaborate on your Bally's  
5 example? Because I'm from the state of Nevada, I used to be  
6 involved in the regulatory process. The state recently adopted  
7 regulations that prohibit internet gaming, both intra and inter  
8 state within Nevada, and you have alluded twice now that Bally is  
9 somehow engaging in internet gaming in Nevada.

10 MR. ANGEL: So I understand. The development that I'm  
11 referring to is a late-breaking development that occurred in the  
12 last week. And Bally was one of the companies that was insistent  
13 in trying to get a regulatory mechanism, like through your  
14 leadership, two or three years ago, the legislature had already  
15 proposed some form of interactive wagering in Nevada, and then it  
16 was left to -

17 COMMISSIONER BIBLE: You people misunderstood the  
18 statute, and the thrust of the statute. The statute made it  
19 permissive if regulations were adopted, and the regulations that  
20 were finally adopted made it prohibitive.

21 MR. ANGEL: I agree with you. What I'm saying is that  
22 the most recent development with Ballys, as I understand it, was  
23 an approval for intra- state interactive wagering.

24 COMMISSIONER BIBLE: Why don't you send us all of that  
25 on some sort of official document from the Control Board, that  
26 would have been the approval agency, because I just find that  
27 very difficult to believe.

28 COMMISSIONER DOBSON: Angel, would you agree with the  
29 principle on the fact that I think that it is pretty obvious that

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1 you don't, that the closer to home the access to gambling is, the  
2 greater the threat to children in those homes? MR. ANGEL: I  
3 would agree with that principle.

4 COMMISSIONER DOBSON: Tell me again how you are going to  
5 keep children from stumbling onto the internet gambling  
6 opportunities if it is ubiquitous?

7 MR. ANGEL: Okay. The essential model would be  
8 licensure of the operators, insuring that only licensed operators  
9 are offering such products on the internet, and that those  
10 operators institute controls to limit access by minors. And  
11 there are a variety of -

12 COMMISSIONER DOBSON: How are you going to tell that?

13 MR. ANGEL: There are a variety of technological  
14 devices, and technology is improving every day. The primary  
15 vehicle, today, is essentially age verification. Whether that is  
16 done through use of a credit card, a digital signature, cross  
17 relational data bases, certification with a, you know,  
18 verification organization, there is a variety of means. They are  
19 not -

20 COMMISSIONER DOBSON: They don't work in other contexts  
21 such as the video games, and so on, that are taking place in  
22 South Carolina and elsewhere, where you have an operator standing  
23 there observing that activity.

24 Why is it going to happen in the home? What hope do you  
25 have of that?

26 MR. ANGEL: Just as a matter of common sense, I believe  
27 that when you are employing regulatory means to create barriers,  
28 you are increasing your percentage of being effective, as opposed

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1 to taking no action, or just trying to take a piecemeal  
2 prohibition enforcement approach.

3 So I would bet with regulation every time.

4 COMMISSIONER DOBSON: Would you agree that this is at  
5 the other end of the continuum from the notion, 20, 30 years ago,  
6 that gambling ought to be in a place where you had to  
7 specifically go to in order to gamble, you had to make an effort  
8 to get there, Las Vegas or Atlantic City, or Montecarlo, or some  
9 place.

10 This is at the other end of that continuum, where it is  
11 right in your face, in your home. That does not concern you?

12 MR. ANGEL: We certainly have evolved, there is no  
13 question about that.

14 COMMISSIONER DOBSON: One other question. You made  
15 reference, in your comments earlier, that you would hope to, or  
16 plan to block, or at least interfere with compulsive gambling  
17 activity.

18 Tell me again how you are going to do that?

19 MR. ANGEL: Well, inherent in the interactive model,  
20 and use over the internet is that there is monitoring and  
21 tracking. Whatever the standards are for usage, there are a  
22 variety of issues that are going to have to be addressed from a  
23 regulatory standpoint, loss limits, patterns of compulsive  
24 gambling, financial capability to be registered in the first  
25 place.

26 So these are all designed with the same end, to  
27 identifying a compulsive gambler and making sure that their  
28 access is limited, and perhaps direct referral to people who can  
29 help.

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1 One mechanism that the gaming council has already  
2 instituted is a helping hand program, which sites are required to  
3 institute, which helps to identify compulsive gambling, and then  
4 creates a direct path to help groups.

5 COMMISSIONER LEONE: This would be quite a remarkable  
6 development, since everything we know about marketing that looks  
7 at people's patterns of behavior is that it tries to market to  
8 the people who are willing to spend the most money on it, and are  
9 frequent users.

10 COMMISSIONER DOBSON: Give me an example of where that  
11 works.

12 COMMISSIONER LEONE: Remarkable, this is not something  
13 that everybody else who does mass marketing ever has done.

14 MR. ANGEL: Well, let me offer up a small counter --

15 COMMISSIONER LEONE: You need to have a trigger point,  
16 where first you identify these customers, and they would be the  
17 best customers. It would be silly to sell to people who never  
18 gambled, and it makes sense to sell to people who gambled, and  
19 then at some point you decide they were gambling too much, that  
20 would be within the program, and you would cut it off, is that  
21 plausible?

22 MR. ANGEL: Let me offer up this counterpoint, and I  
23 think it is somewhat workable, the following. I'm not a  
24 psychologist, I'm a lawyer, and I'm told by people in the field  
25 that compulsive gamblers will go in and out of compulsive  
26 gambling, often showing remorse. If these individuals were to  
27 register, or family members were to register them as individuals  
28 who have a problem pathological gambling, by correctly  
29 identifying those individuals, limiting further access, we could

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1 help to stop those that are at least at portions of their life,  
2 remorseful.

3 COMMISSIONER LEONE: You think universal access to  
4 gambling would lead to more, in absolute numbers more compulsive  
5 gamblers, or problem or pathological gamblers, or have no effect  
6 on them?

7 MR. ANGEL: I'm personally not competent to answer that  
8 question. The -- what I was thinking about, when I was listening  
9 to the presentation by Mr. Saum is, other nations who have  
10 authorized sports betting with government regulation, and I don't  
11 know what the prevalence studies have shown in the United  
12 Kingdom, where it is offered on a retail basis, or in Canada,  
13 where the lottery administration offers, you know, sports bets,  
14 whether that has increased the prevalence.

15 But, if I were interested in studying it, that is where  
16 I would start. But I think it is becoming axiomatic that once  
17 you limit involvement of organized crime, you are increasing the  
18 likelihood that there will not be point shaving schemes, and the  
19 like.

20 COMMISSIONER LEONE: Mr. Angel, I am a licensed  
21 psychologist, and not a lawyer, and it is my considered opinion  
22 that the greater the access to gambling, especially in the home,  
23 the greater the compulsivity we are going to see.

24 COMMISSIONER WILHELM: I would just suggest to my fellow  
25 Commissioners that while I am impressed with the apparent  
26 inevitability of the growth of this form of gambling which, of  
27 course, has very few counterbalancing positives, for example,  
28 creates nary a job, as far as I can tell, Bill Bible times me  
29 each morning. It is fairly late by my standards.

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1 COMMISSIONER DOBSON: High quality job.

2 COMMISSIONER WILHELM: I am always glad to be brought  
3 back to my path. But what worries me the most about any concept  
4 of legalizing this stuff, in spite of its apparent inevitability,  
5 and the difficulty of enforcement has to do with, I say this with  
6 the utmost respect, what I think would be the probable reaction  
7 of the major gambling companies with their rather extraordinary  
8 access to capital, because these are companies that have  
9 obligations to their shareholders, and if you look at the history  
10 of the growth of gambling, at least casino gambling in the  
11 country, when Nevada had a monopoly, the companies in Nevada were  
12 pretty happy with that, and they opposed the -- most of them, to  
13 my knowledge, opposed the expansion of casino gambling to  
14 Atlantic City.

15 But when Atlantic City became legal, you know, they  
16 went there for shareholder and competitive reasons. And then for  
17 20 years or so they said, well Nevada and New Jersey is a pretty  
18 good thing, you know, let's not have it go anywhere else.

19 And there was a significant, I would say a  
20 preponderance of opposition from the commercial gambling industry  
21 to expanding beyond Nevada and New Jersey.

22 But then when states started to legalize casino  
23 gambling, and smaller operators got into it, and money was being  
24 made they, I think understandably, had an obligation to their  
25 shareholders to go there too.

26 So they forgot about that opposition, and went to those  
27 places. Likewise they have had a history for strictly  
28 competitive reasons of opposing the expansion of tribal gambling,

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1 and they have already begun to say, well, you know let's go there  
2 too, there is money to be made.

3 And so -- and it is becoming legal. And I think that  
4 is inevitable, I don't mean that critically, although from my  
5 perspective it is somewhat disappointing, all of that.

6 But if we legalize this stuff, those companies, with  
7 their enormous access to capital, I think necessarily are going  
8 to go there. And when you get companies with the kind of  
9 knowledge and the kind of capital that the major gambling  
10 companies have involved in that business, forget about limiting  
11 growth, it is gone.

12 So even though I'm impressed by the difficulty of  
13 enforcement, and the inevitability of this technology I think  
14 legalizing it would be the end of anybody's thought about any  
15 concept of limiting the growth of gambling.

16 COMMISSIONER BIBLE: I couldn't agree with you more,  
17 because you were talking, earlier, about an issue that has a  
18 couple of facets. One is that is it because the technology, the  
19 technology is to some extent driving the policy consideration.

20 So it is sort of an unusual problem that you are  
21 facing, where the representation is, the technology is there, it  
22 can't be controlled, it can't be regulated, let's give up and try  
23 and create some -- you know, legalize the activity, which is one  
24 item you mentioned.

25 The other is that if it is legalized, and I couldn't  
26 agree with you more, it would attract all of the companies that  
27 have access to the standard capital markets, and they would put  
28 some amazing sizzle in the product, and the growth would be  
29 exponential.

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1 CHAIR JAMES: With that I would like to bring this  
2 portion of our morning to a close, unless Commissioners have some  
3 burning issue that they want to bring to the table, with these  
4 two gentlemen, because we will continue our discussion on the  
5 internet as we have our report from the subcommittee.

6 DR. KELLY: Madam Chair? I have something that might be  
7 of use to the Commissioners, specially the question that  
8 Commissioner Leone was raising, does access influence problem or  
9 pathological gambling.

10 There is a chart in the NORC data, I was just hunting  
11 for it, and I found it on page 25, that hints at an answer to  
12 that, and suggests that distance to casino, for instance, does  
13 affect not so much pathological gambling, as problem gambling.  
14 The data show that there is a significantly increased rate of  
15 problem gambling as you get closer to a casino. It does not show  
16 that for pathological gambling.

17 It seems to suggest that those who are in the realm of  
18 being addicted to something, perhaps are not affected so much by  
19 access, but those who are just short of that, are. I just wanted  
20 to call that to your attention, if you are interested.

21 CHAIR JAMES: Thank you. I want to thank both of you  
22 for not only this morning, but having worked with us during the  
23 entire process, and your input has been invaluable to us.

24 And, again, I want to encourage you to have those  
25 lunches, and to look forward to receiving a letter from me, and  
26 hopefully that will be helpful to you internally as you work  
27 within your organization.

28 Thank you very much.

29

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