

1 CHAIRMAN JAMES: With that, we will begin with
2 Representative Perkins. Welcome.

3 MR. PERKINS: Good morning. Let me welcome all of
4 you to Louisiana. I'm sure you're enjoying the weather; we are,
5 we haven't had rain in a while.

6 As you can tell from my outline, my comments are
7 based more on an overview from a legislative standpoint, not
8 specifically directed to regulation but just an overview. I'm
9 going to skip very quickly through the first part of that which
10 was the history of our gambling which is significant in how we
11 regulate it.

12 We first began in this current phase with the lottery
13 which was the only form of gambling that was voted upon by our
14 people prior to it being implemented, and that was back in 1990.
15 Quickly after that, the legislature put into place both video
16 poker and riverboats and the New Orleans casino. All of that was
17 done without a vote of the public.

18 There was a lot of alleged corruption, a major
19 investigation by the FBI which led to a turnover in the
20 legislature -- which I'll mention shortly -- but that led into
21 local option elections after the fact. And I can just tell you
22 from that model that we have discovered that doesn't work. Once
23 the industry is up and running, to call for fair and free
24 elections simply does not work. The influence of the money, of
25 those already established in establishments makes it very
26 difficult for the public to decide this issue based upon the
27 facts.

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1 We have continued, actually unfortunately, in even
2 considering an expansion of gambling even in our last session
3 where we're now looking at slot machines at race tracks to bail
4 out the ailing the horse racing industry. So we are still in the
5 process of dealing with the gambling issue; it's long from over.

6 One of the things that we have done is we have
7 changed our regulation. Our first boards that were in place were
8 totally inefficient, ineffective. We have set in place a new
9 regulation model based upon the success of some other states.
10 However, the problem is that all of this was already created and
11 now we're calling regulators in to control it. It's kind of like
12 herding cats: it's very difficult to do once they're out running
13 around. So we're in the process of doing a lot of catch-up.

14 Let me talk now about some of those issues such as
15 gambling addiction which is becoming a very serious issue for us
16 here in Louisiana. It's interesting that before we began this
17 journey, there were other states that were warning of some
18 serious problems that came with legalizing gambling. I recall
19 back in I think it was the early '90s, about '92 there was an
20 article from the Globe that talked about the state should be
21 aware of really three main areas: addiction, crime, and
22 corruption. It's unfortunate to say that we have experienced all
23 three of those and still in the presence of dealing with those.

24 The profile of gamblers in the Gulf Coast region --
25 you may have heard this but it's relevant to what we discuss here
26 today -- the profile of gamblers is much different here along the
27 Gulf Coast and Louisiana than it is in, say, Las Vegas or in
28 Reno. The average gambler out there: the age is around 49; 57

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1 percent are over the age of 45; each visitor's average yearly
2 income is at \$44,000; the majority of the visitors, 58 percent of
3 them are male; and an overwhelming portion, 90 percent, are
4 white.

5 Now, you compare that with what we have in the Gulf
6 Coast and it's significant different. This is something to point
7 out and I wish you'd make note of this. The Gulf Coast visitors'
8 demographics are very different: the gambling population is
9 somewhat younger, it's in its mid 40s with 51 percent between the
10 age of 21 and 45; the next largest share is composed of patrons
11 over the age of 65 years of age accounting for 20 percent of the
12 population that gamble; average annual income is in the low 30s;
13 56 percent make less than \$30,000 per year, and a full quarter
14 make less than \$15,000.

15 Now, that's significant when you look at the profiles
16 that have been adopted for gambling addiction. Problem gamblers
17 are likely to have psychological problems, be unemployed, or earn
18 less than \$25,000 a year. Now, this is from studies that have
19 been conducted here in Louisiana, and we are in the process of
20 doing several studies.

21 We've done some baseline studies, one that shows that
22 at least 80 percent of adults and 86 percent of adolescents in
23 Louisiana have taken part in some form of gambling, while about 5
24 percent of adults are likely to have gambling problems, the risk
25 is higher among young residents: 22 percent of adolescents and
26 14.3 percent of adults ages 18 to 21 inclined toward compulsive
27 gambling. That's significant when you look at the profile of the

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1 gamblers here. Clearly the majority of gamblers in the Gulf
2 Coast region in Louisiana fit the model of problem gamblers.

3 Now, it's estimated -- and I know you heard testimony
4 on this earlier -- from a state perspective in terms of policy
5 it's important to note that when we look at the total number of
6 problem gamblers which range anywhere from 105,000 to 182,000,
7 depending on whose numbers you use, in the state of Louisiana
8 that could be classified as problem gamblers.

9 When you extrapolate that out to look at the cost
10 that's associated with that, for instance, we had testimony from
11 the officials with the Department of Health that have done some
12 of these studies, and they estimate that the cost -- and I think
13 that this is high, but they estimate the cost that the state, the
14 economy bears from problem gamblers is about \$65,000 a year.

15 Now, I know estimates range anywhere from 20- to 50-,
16 could be more like 40-, I don't know. But just based upon the
17 figures that they gave us, gambling is costing our state anywhere
18 from \$6.8 billion a year to \$11.8 billion a year. That's not
19 state money, that's total, that's cost to the state in terms of
20 social problems, criminal problems, lost income, lost wages,
21 theft, all of that. So we're looking at a very serious problem
22 in terms of a dollar amount here in the state of Louisiana.

23 Last year, for instance, the gamblers in Louisiana --
24 and this information is coming straight out of the media which,
25 by the way, seems to be the only ones that have really kind of
26 caught on to what's going on; lawmakers and policy makers still
27 don't understand the problem but the media has done a very
28 responsible job, I think, in reporting the issues here in the

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1 state. Last year alone, gamblers lost \$1.6 billion here in
2 Louisiana.

3 When we look at addiction, studies are now showing
4 that women are now more prone to gambling addiction, especially
5 to the types of gambling we have here such as video poker. When
6 we look at gambling addiction, a recent article here from New
7 Orleans showed that one in six businesses report workers with
8 gambling problems.

9 A very serious problem when you look at businesses,
10 and you'll hear testimony this afternoon from business people,
11 one of whom I know who had a secretary embezzle money from him
12 that put a very small business -- had a very dramatic impact on
13 their business. So it's touching the lives of many small
14 businessmen.

15 One of the other areas that the gambling addiction is
16 leading to is a whole new area for government. If you like big
17 government, you're going to love what has to happen when you have
18 gambling: you have to have new regulation, and now we're
19 creating all of these social problems to address the problems
20 that we created.

21 Now, let me say this. I have more of a libertarian
22 view when it comes to gambling, I really could care less, I think
23 it's foolish to gamble, but I could care less if people gamble.
24 My real problem is the state is a promoter, sponsor, and a
25 partner in gambling. You know, in the free enterprise system, in
26 capitalism, people are out to make profit; the gambling industry
27 is out to make profit; I understand that. I think they have a
28 moral obligation to not take advantage of people.

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1 But be that as it may, I think the state has a real
2 obligation to protect people, especially the poor, the unwitting
3 who are seduced into gambling. And that is who we're finding out
4 is being drawn into gambling is those in poverty, those who can
5 least afford to lose the money.

6 Now, I know it's been great for some. You've heard
7 testimony that people now have cars, they have homes, they have
8 insurance, and that's great and these are good people, but I
9 don't think that these people realize that their building their
10 homes upon the ruin of other families, and that's what we're
11 finding here in Louisiana. While it's been fitted a small
12 segment, there are many others that are suffering as a result of
13 gambling.

14 Let me say one of the leading factors, and we look at
15 gambling addiction, is the intro to gambling is through the
16 lottery which is solely sponsored by the state, and I think the
17 state has much more of a degree of responsibility than the
18 gambling industry as a whole to address this issue.

19 One recommendation I would make to this Commission
20 that would take back to Congress would be to -- and let me say I
21 don't think the federal government should be regulating gambling
22 in the states; I think it's an issue left to the states, but
23 there are some areas. One, I think, just like they've addressed
24 welfare through incentives to the states that tackle these
25 issues, the federal government should provide incentives to
26 states who move away from state-sponsored gambling so that
27 they're not the cause of many of these problems.

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1 We find that bankruptcies are up; we've even, Baton
2 Rouge, had to build a new court for bankruptcies to accommodate a
3 50 percent increase in bankruptcies, of which those attorneys and
4 judges say that that is in response to a surge in gambling-
5 related bankruptcies.

6 One of the areas that I think we need to pay close
7 attention to is underage gambling. Now, we have begun to address
8 that somewhat here in Louisiana in the last legislative session.
9 It's interesting that we were warned prior to the introduction of
10 gambling that children
11 were going to be a prime target, and that has been the case. And
12 we are seeing a devastating effect on our children. A recent
13 study showed 84 percent of our state's sixth graders had gambled
14 in some form or fashion. They are the most prone to gambling
15 addiction and developing a lifestyle of gambling addiction.

16 And I really think that's the future generation for
17 the casinos. And I have to say I don't really trust these PR
18 campaigns that the gambling industry goes on to protect the youth
19 and the problem gamblers. I think it's like a fox standing in
20 front of the hen house saying "Save the chickens." They make
21 their money off problem gamblers.

22 The studies I've seen, and talking to former casino
23 individuals who are now out of the industry, say that as much as
24 40 percent of their revenue comes from problem gamblers. So I
25 think it's hard to say that they're really concerned about
26 dealing with problem gamblers.

27 Now, the issue of crime is a very serious one. We
28 had a serial killer in the Baton Rouge area, killed six people,

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1 attacked two others, and you see him here holding his check from
2 the riverboat where he went that afternoon to spend the money
3 that he stole from the couples that he murdered.

4 We had a lady who killed her parents to pay for the
5 debt around her gambling habit, her video poker habit; a
6 babysitter who left a two-year-old to die in a car while she
7 played video poker because she was addicted to it; we have
8 officials saying that it's the reason for the increase in crime.

9 But one of the more serious things that I take a
10 great interest in because of my position in the legislature is
11 the corruption. We've had some of the largest FBI operations
12 here in Louisiana to undercover corruption revolving around the
13 gambling industry and government officials. We'll have some
14 former government officials reading about these proceedings from
15 their jail cells: one senator currently in jail, one that was
16 acquitted, one member of the house of representatives that has
17 served his time already, and we have a former governor, by all
18 reports -- former governor and others who will soon be indicted
19 based upon a license for a riverboat here in Louisiana.

20 Of course, there's no wonder that there was
21 corruption when you see the amount of money that the gambling
22 interest has to throw around. This is a front-page story of
23 where the former president of the senate was passing out campaign
24 checks from the gambling industry on the floor of the senate.
25 They have completely weaved their way into the process of
26 government.

27 And that is another thing, at least on the federal
28 level -- we have begun to address it on the state level -- is to

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1 limit the influence of financial contributions from the gambling
2 industry to those in office.

3 Another issue of credibility we had: a police
4 officer who was arrested after robbing the same bank twice to
5 fund his video poker habit.

6 These type of things do tremendous damage to the
7 image of government and the confidence that people have in the
8 institutions that are there, in many ways, to protect them.
9 Those most vulnerable are looking to government for some form of
10 protection and they're the ones that government is leading the
11 way to oppress through state-sponsored and state-sanctioned
12 gambling.

13 And I think it's reprehensible that in America today
14 that we have no concern for the poor, in that sense, those who do
15 not have education, for whatever reason, have very little money.
16 They're the ones that we're building the back of this industry in
17 the state. Again, I emphasize it's the state that is leading the
18 way; around the country, states are generating millions of
19 dollars -- we generate \$500 million into our budge through
20 gambling, and the state then becomes addicted to the revenue.

21 We've even had officials during the elections run
22 advertisements promoting gambling because of the money that comes
23 into state and local coffers. So I would encourage you to look
24 at those issues.

25 One other issue that I would hope that you would take
26 back is the Internet gambling issue which we cannot address.
27 We've passed legislation here; in fact, I authored a bill to ban
28 it. It needs to be addressed from the federal level because that

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1 is going right into the homes, children are sitting in front of
2 those computers, people are being enticed to lose everything they
3 have at the hands of Internet gambling. And I would encourage
4 you not just to regulate it but to ban it.

5 CHAIRMAN JAMES: Thank you very much.

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