

1 CHAIRPERSON JAMES: I am very appreciative, Mike, of
2 your patience. He has actually had his flight changed so that he
3 could stay here with us a little longer this afternoon.

4 MR. BELLETIRE: I wouldn't have missed it.

5 CHAIRPERSON JAMES: You wouldn't have missed this for
6 anything in the world. I would have.

7 Having said that, Mike, I know that at Commissioner
8 Bible's request, you and several others got together and put
9 together a model, a regulatory model. And you shared that last
10 night. And we appreciate the effort and the time that you have
11 put in to present to this Commission.

12 With that, I would like to ask you to go ahead and make
13 --

14 MR. BELLETIRE: Thank you, Madam Chairman.

15 I'm Mike Belletire. As the Administrator of the
16 Illinois Gaming Board, I appreciate the opportunity to be with
17 you this afternoon and to share with you some of the reflections,
18 all of which have been catalogued in a paper that we have
19 provided for you called "Legislating and Regulating Casino
20 Gaming: A View From State Regulators."

21 It was at Chairman Bible's request for his subcommittee
22 that I gathered together several state officials that come from a
23 number of states -- and I'll identify that in a moment -- to
24 summarize our experiences in shaping a regulatory framework for
25 -- and I'll put the emphasis here -- non-tribal casino gaming.

26 The primary purpose of our paper, as we understood it,
27 was to offer background information and a foundation for states

1 that might in the future consider legislating casino-style
2 gambling.

3 The paper offers a cross-state comparative analysis of
4 our enabling legislation. And discussion is also provided as to
5 the key elements of policy that regulators from several states
6 deem essential to the success of an effective regulatory
7 framework.

8 A secondary objective of the paper is to demonstrate to
9 this Commission and probably to the Congress the extent to which
10 the several states that authorize casino-style gambling, again,
11 non-tribal approach, the serious obligations of regulation.

12 The experiences of the states collectively demonstrate
13 that there is no singular, quote, "best" regulatory structure but
14 that all state structures have common elements of emphasis,
15 practice, and personnel that are integral to successful
16 regulation.

17 I can't help but take advantage of the unfortunate
18 circumstance that Amy and Ms. Schwartz have had to say this
19 afternoon gives you some indication of the fact that the states I
20 think left to their own with proper legislation can, in fact,
21 regulate. And I would not encourage the federal government to
22 enter the territory where successful regulation is already
23 underway by the states.

24 I would also like to indicate how this document was
25 prepared and what it does and does not represent. Initially
26 regulators, my counterparts for the most part from six [sic.]
27 states, New Jersey, Colorado, Mississippi, Nevada, and Illinois,

1 got together in a roundtable discussion in Nevada, spent about
2 five hours going back and forth on the topics that Mr. McCarthy
3 has outlined, the primary subject areas where we felt opinion, if
4 you will, and legislative content as well as regulatory content
5 ought to be shaped if you're going to consider legislation.

6 The paper was then revised. I was the principal
7 author, but there were many contributors from those six states.
8 And then the paper was revised and sent back out to not only
9 those states but to the States of Louisiana, Indiana, and Iowa.
10 Those nine states, then, collectively represent effectively 97 or
11 98 percent of all of the non-tribal casino gambling in the United
12 States. So I think you have the reflections of the states that
13 do the most here.

14 What this does not represent are the views of those
15 state authorities or commissions or the views of the governors or
16 the legislators of those states. These are the personal
17 reflections of individuals who have been in the position of
18 regulating casino activity.

19 I dare say that I think to the extent that any of us
20 are surveyed, it represents no more or no less than that in terms
21 of what we would have to say over the phone.

22 So it is our honest impressions. And we sought to get
23 focused on what it was that might make a difference to other
24 states or to Congress and to your work in terms of where
25 regulation ought to be oriented and what it ought to say.

26 I will say this. And I want to emphasize that what
27 Commissioner Lanni said I think is important in any work that you

1 contract for. To talk about the extent to which policies and
2 practices deviate from law and regulations is not our sense of
3 regulation. Our sense of regulation is that law and regulation
4 and policy must be synonymous.

5 The fact that practice that is intensity may vary from
6 state to state is true and while there is clearly differentiation
7 across states as to both what's in law and what's in regulation,
8 I don't believe that any of the states that I've reflected
9 deviate in policy in law and regulation from one another.

10 I want to make a point, though, and this paper does as
11 well. There is no hiding the embarrassment to the several states
12 that the State of Louisiana has brought to gaming.

13 I spoke with Hilary Crane about this paper. He and I
14 have had a number of discussions about their problems down there.
15 The fact of the matter is -- and this is what I think
16 Commissioner McCarthy was alluding to earlier -- that, no matter
17 how they're organized, no matter what platitudes are in their
18 law, no jurisdiction can regulate effectively without the
19 commitment of individuals to effective implementation and without
20 a charge from the chief executive of that entity, that state if
21 it's a state, to say make this work and make it work right for
22 the people of this state, nor does that initial charge make all
23 of the right decisions automatic.

24 How people go about this job on a day-to-day basis, how
25 they set priorities, what they examine on a day-to-day basis.
26 And where they share with the public the points of sensitivity,
27 embarrassment, or consequence is essential to effective

1 regulation. So, no matter who writes the law, whether it's the
2 federal government or whether it's the state government or
3 whether it's a tribe, it's who implements it and their intensity
4 of effort in implementing it that will make more of the
5 difference than the platitudes of law.

6 What you have in the paper is a compilation of
7 observations. We tried to maintain ourselves just at the end of
8 being judgmental. We've tried to say what belongs in law as we
9 think about it.

10 We've tried to segment what might be better in law and
11 what might be best in regulation, which is the implementation of
12 the law. And we've also attempted to highlight the range of
13 areas that are very important and why some states have to pay
14 more attention to some areas than other states because of the
15 construction of their statute or their approach.

16 And the major factor in that regard that I think we
17 ought to draw some attention to is this. I think in an honest
18 attempt to, quote, "limit the proliferation of gambling," states
19 like Illinois have actually limited the number of licenses and
20 restricted their availability to certain areas.

21 That limitation, while limiting gambling actually
22 intensifies the problems of regulations, I don't want to suggest
23 that it can't be controlled. But when you have monopoly or
24 exclusivity in lucrative licensure, you have the potential for
25 corruption or, more informally, the kinds of practices that don't
26 give gambling operations a very good name, even if they're not
27 corrupt or illegal.

1 So we've tried to highlight some of those consequences
2 in here. And they do play off against the well-intended effort
3 to say let's limit this activity.

4 We've extended a bit beyond our own expertise, although
5 some of us do regulate gaming devices. Some of those that
6 participate in this paper do regulate gaming devices in what we
7 labeled in the paper "alternate" or "non-casino settings." And
8 I'm talking about route activity of slot machines.

9 We have not offered a whole lot of commentary there
10 other than to be encouraging for any state that considers this to
11 be very, very cautious about not only the regulatory aspects
12 about this but about its public policy consequences because it
13 does represent a much different dimension of regulation than I
14 think the casino experience, particularly in the Midwestern
15 states, has.

16 In closing, I would only want to add that I think that
17 since more states have gotten into the regulatory business over
18 casino gambling, the bar has actually been raised.

19 I'm not going to say that to be smart to the States of
20 New Jersey and Nevada, who were there from the beginning, but I
21 do think that the realization that it isn't going on vacation to
22 Nevada and, gee, what happened there, but it's how our people are
23 treated on a day-to-day basis and whether or not our state
24 accepts something into its culture that to this point in time has
25 only been accepted as an illegality is consequential. And I
26 think it has helped collectively to raise the bar for the sense
27 of judgment and what's acceptable.

1 We've been slow to adopt many of the things that Nevada
2 is entirely comfortable with. But that's the beauty of the
3 differences amongst the states, that we are entirely -- for
4 example, we do not allow -- and I mentioned this when I testified
5 before you in May -- the mega jackpot games. Our board just
6 doesn't feel comfortable that that kind of get rich quick
7 approach to gambling is entertainment in the same way that it's
8 allowed and accepted in some of our neighboring states or in
9 Nevada.

10 The very fact that we can differentiate and we can make
11 those choices I think is important to Illinois. And I think that
12 underscores the fact that regulation is not simply making sure
13 everybody does something in the least common denominator sense
14 but, rather, making sure that policy choices are exercised, not
15 simply regulatory choices.

16 I complete my remarks. And I thank you again on behalf
17 of my fellow regulators, who are identified in the paper that
18 I've presented.

19 CHAIRPERSON JAMES: Do all commissioners have copies of
20 that at this point? Yes. Thank you.

21 Any questions for Mike?

22 COMMISSIONER WILHELM: Just, Mr. Belletire, first I
23 want to thank you and your colleagues very much for this. I read
24 it last night. It's I think one of the more substantive pieces
25 of material the Commission has received.

26 And unless I'm wrong, Commissioner Bible, you got him
27 to do it for nothing. So I very much appreciate it.

1 MR. BELLETIRE: I'm ethically prohibited from accepting
2 compensation from other than the Illinois Gaming Board.

3 CHAIRPERSON JAMES: Could you give us a list of all the
4 contacts?

5 (Laughter.)

6 CHAIRPERSON JAMES: A list we have.

7 COMMISSIONER WILHELM: That's our good fortune. If I
8 might, Mr. Belletire, you have a reference in here to the
9 settings that some states have gotten into of machines in
10 non-casino-disbursed-type settings. And you have some comments
11 about those, which, to me at least, seem appropriate.

12 I'd be interested in your thoughts on the question of
13 the machines that exist apparently in much larger numbers than I,
14 for one, ever realize in a lot of states, including but not
15 limited to yours, that are gray area machines. They're either
16 illegal or they would be legal if they were run the way they were
17 supposed to, but they aren't really run that way. You know what
18 I'm talking about.

19 MR. BELLETIRE: Yes.

20 COMMISSIONER WILHELM: Machines that are not --

21 MR. BELLETIRE: We have them in Illinois.

22 COMMISSIONER WILHELM: Right, a lot of them supposedly.

23 MR. BELLETIRE: Well, if you listen to some people, we
24 have more than I think there physically are, but yes.

25 COMMISSIONER WILHELM: Suffice it to say that -- and I
26 realize nobody knows the sure numbers, but there are a lot of
27 states in this country that have a lot of these machines --

1 MR. BELLETIRE: Correct.

2 COMMISSIONER WILHELM: -- that are not legal --

3 MR. BELLETIRE: That's correct.

4 COMMISSIONER WILHELM: -- or are legal --

5 MR. BELLETIRE: The machines are legal. What the
6 purveyors of the establishment do and what their distributors may
7 do is illegal.

8 COMMISSIONER WILHELM: I would be interested in any,
9 either now or later, thoughts you have about this and, in
10 particular, what the relationship is between this kind of illegal
11 gambling behavior and legal gambling behavior, if there is any
12 relationship.

13 MR. BELLETIRE: Let me give you a little bit of the
14 Illinois experience and offer my own observation. These would be
15 personal observations. My board has never taken a position on
16 this.

17 Illinois has a lot of fraternal and private
18 organizations. I won't mention the names. Sometimes they have
19 military connotations to them. Organizations have their bars.
20 And up the stairs and to the left, you'll find 25 machines that
21 are legal and licensed in Illinois. In fact, I think they even
22 have federal licenses if I'm not mistaken. And, therefore,
23 they're marked clearly for amusement only.

24 They produce tickets or information that's the
25 equivalent of Kewpie doll prizes that you could get out of a ski
26 ball, but then there are informal relationships under which the

1 amount wagered and the amount won is compensated for by the
2 house.

3 These are in Illinois, as I think in most
4 jurisdictions, the responsibility of a county sheriff or the city
5 police department and the county prosecutor to take
6 responsibility for. The state jurisdiction -- I have a number of
7 state police officers who work for me who are gaming enforcement
8 agents.

9 We have no more authority than they do as state police
10 officers under any set of circumstances to enter those premises
11 and to do something about those machines.

12 When we get a report, we report it to -- now, this may
13 sound like dereliction of duty, but we report it to the county
14 sheriff or to the municipal police department.

15 The fact that it's tolerated, I will share with you the
16 comment that our former governor, the governor that I worked for
17 when this comment was made, said to me when the proposal was to
18 legalize these machines from the coin-operated guys that came in,
19 sat down with him, and made their pitch that: You ought to
20 legalize it and tax it because it's good for the state to
21 legalize it and get rid of the illegal aspects of it.

22 The governor said that he felt as though this tended
23 towards encouraging the average Joe to sit down and blow his
24 paycheck at a lunch.

25 And they said: Yes, but he can do that now.

26 And the governor said: Yes, but I can sleep at night
27 because I didn't put my name behind that.

1 And I think that's this political sense of this, that a
2 political figure has the responsibility to say not everything
3 that's illegal should be tolerated, but even if it's going to be
4 tolerated, I can't do something about it simply by saying let's
5 sanitize it because my conscience is even now more directly tied
6 to it. So Jim Edgar when he was governor made that observation.

7 We make a heck of a lot of money off of casinos. We
8 tax very steeply. We drew in \$337 million in 10 casinos last
9 year. We don't need another 20 million or 30 million from more
10 gambling in the state. And that's my personal opinion. But
11 there are lots of people who want to make more money from
12 gambling, and that's why there needs to be some caution about
13 authorizing more of it. It's still a little bit sinful in the
14 Midwest.

15 COMMISSIONER WILHELM: Thank you.

16 COMMISSIONER LEONE: You said something -- and it's
17 reflected in the very thoughtful set of criteria you and your
18 colleagues sat down -- about the fact that the spirit, the
19 political culture in which regulation takes place is as important
20 or more important than the regulations that are written down,
21 what appears on a piece of paper.

22 I believe strongly that you were right. It's always
23 been something that has troubled me about this area because I
24 also believe as a student of history that political culture
25 changes over time.

26 And, even though I'd be the last one to say anything
27 bad about Louisiana, only because it's next to Mississippi and it

1 might somehow reflect badly on Mississippi, -- otherwise I'd tell
2 you what I really think -- I don't know why in the perspective of
3 history we should think that that situation is unique and that
4 other states with other governors and other legislatures and
5 other pressures and other situations would not abuse or misuse
6 this large cash business, this large cash cow.

7 You know, one of our responsibilities that we haven't
8 spent any time on, although I'm going to talk about a little
9 later when we talk about the economics, is it's in the
10 legislation that we're supposed to look at, the extent to which
11 gambling provided revenues to state, local, and Native American
12 tribal governments, the extent to which possible alternative
13 revenue sources may exist for such governments.

14 Now, that's actually an interesting question and
15 difficult question with regard to local governments. And tribal
16 governments, it's even an interesting question, I would submit,
17 with regard to Nevada probably.

18 It's actually not a very interesting question with
19 regard to any place else because in spite of how good a cash cow
20 this has turned out to be in a variety of places, states have
21 lots of alternative sources of revenues. And it's a fairly
22 trivial question to ask whether they could tax something else and
23 find the money for something else.

24 What I am concerned about, though, is that this appears
25 to be easy money politically. It also would be surprising if it
26 didn't become political in the sense that it's a place where you
27 can raise a lot of money.

1 New Jersey went into this with very strict regulations
2 on contributions from people in the industry. On the other hand,
3 every law firm, every developer, every real estate agent of any
4 size, lots of banks and other big businesses became involved in
5 lobbyists, advertising firms, got interested and had an economic
6 stake in gambling. And they all contributed to campaigns. And
7 they have become a powerful source of campaign contributions at
8 the state level, even though the industry people can't
9 contribute, extremely powerful source of contributions for
10 federal office holders, as they have elsewhere.

11 Again, it isn't so much that I see a problem with that
12 today or have seen a problem with it in that state, but other
13 states, including Nevada, have historically gone through periods
14 where there were political problems and questions about their
15 will.

16 I ask two questions, therefore. This is a long
17 preamble. If men were angels, we wouldn't need a regulation, as
18 I always say. Maybe we should have women doing the regulating.

19 We can't ensure that other states won't become like
20 Louisiana at some point in their history. But we might consider
21 whether there are additional things that ought to be done to
22 oversee governmental operations in this area; for example,
23 independent audits of the governmental function in this
24 regulatory or whether it's local governments, tribal governments,
25 state governments.

26 And I don't mean state auditors. Maybe there are
27 issues of transparency that ought to be in place. And some

1 places are better than others. Maybe bipartisanship in terms of
2 regulatory bodies is another way to do it.

3 I just ask you: What kinds of other insurance policies
4 might we take out for the long haul?

5 MR. BELLETIRE: I appreciate your sensitivity and your
6 sense of this. Let me comment, first of all, about the long haul
7 and make a contrasting observation. And that is the racing
8 industry in Illinois.

9 It has 75 years of history, which is about 66 years
10 more history than does the Illinois Gaming Board. To be frank,
11 they do their regulatory thing okay. They do their background
12 stuff, but they are really an advocate for horse racing. That's
13 who over time has become the regulator of horse racing.

14 I'm not going to speak for any other state, but I think
15 the promotion of that industry is, in part, fed by its so-called
16 regulatory bodies or oversight bodies. I don't think that
17 there's any secret to that.

18 Having said that, we have gone through periodic
19 episodes in Illinois and I know in other jurisdictions as well of
20 corrupt behavior or activity. And usually the political
21 structure responds. It's almost inevitable -- you know, it cost
22 the governor a number of years in prison in Illinois to hold
23 ownership interest in a racetrack.

24 So it happens. And there was a new broom that swept
25 clean those figures, and there were new and tougher changes that
26 were initiated in that 75-year history.

1 I think there have been at least three or four major
2 scandals in horse racing in Illinois over the last 75 years. And
3 the body politic responds. We have been fortunate. Nine years,
4 and we still have to be hit with our first. But we will be hit
5 with one, I'm sure.

6 I think your suggestion, Commissioner, that you ought
7 to look more at us is, unfortunately, the real problem of the
8 media. They're only interested in whether my board members take
9 a \$50 meal from somebody in the industry, rather than interested
10 in the underlying scandals that the industry itself has gotten
11 into.

12 One of the ways that we're handling this in Illinois is
13 we're going after what companies do in other states and saying:
14 Just because the entity you got in Illinois is operating well, if
15 we're not satisfied with how you've handled yourself in another
16 jurisdiction, you'll have to answer to us.

17 We have two investigations underway now that involve
18 companies that have had problems in Louisiana. And I'm not going
19 to suggest where those investigations go because they're still
20 ongoing, but I have a board who will take the responsibility to
21 do what must be done. That I think is how you police it when you
22 find it.

23 And I think you ought to direct the casino industry to
24 pay heed to what happened down in Louisiana and to start standing
25 up and saying: We have got companies within our midst who have
26 made big mistakes, and they owe an apology to the rest of us.

1 And I think company executives who engage in that
2 behavior ought to be accountable for it. You don't sweep it
3 under the carpet, I mean. And my job for the last four-plus
4 years has just been to be the board's hard-nosed son of a gun.

5 I mean, I step on toes. That's my job. I don't make
6 friends in the industry, but I think I've gotten respect from a
7 number of people in this industry because I have helped work with
8 the board. And we've laid out a framework. And we've made it
9 clear that we don't accept nonsense.

10 Now, would we be any better off if there were a
11 national authority looking over us? I don't think so. I really
12 don't. I honestly feel as though what they'd do is they'd tell
13 me: If you don't do this, you'll end up like Louisiana.

14 So they'll start telling me how to do something that
15 I've already perhaps got a different way or better way or
16 different approach to deal with. The consequences here are
17 political consequences, bottom line.

18 My board is on the line. Our governor is on the line.
19 The previous governor and this governor have both said to me: We
20 don't want to be near this. These are your decisions and your
21 board's decisions.

22 CHAIRPERSON JAMES: Mr. Belletire, thank you so much
23 for that and also, again, for rearranging your travel schedule so
24 that you could be here this afternoon.

25 I would ask Commissioners to note that we have two more
26 presentations on regulations. So there will be an opportunity to
27 talk about this a little bit more.

1 And, again, I want to thank you and the panel members
2 for being here and for participating in our conversation this
3 afternoon.

4 MR. BELLETIRE: Thank you.

5 CHAIRPERSON JAMES: Thank you very much.

6 COMMISSIONER BIBLE: Could we ask, Dr. Pool, could you
7 provide us with a copy of your survey instrument? I've never
8 seen that work, your current measure of the efficiency or
9 effectiveness of regulatory apparatus? Do you have a copy of the
10 survey instrument, uncompleted?

11 DR. POOL: We do have complete copies of survey
12 instruments for industry, tribal gaming, and regulators. I would
13 request that if we could finish, in the interest of the integrity
14 of the research process, if we could finish, our sample
15 population before such time.

16 I have no problem providing you with the actual survey
17 instrument. And Tim Kelly and Doug Seay have both been provided
18 with that instrument.

19 COMMISSIONER BIBLE: I assume they must have been part
20 of the process of developing it.

21 DR. POOL: Yes, sir, that's correct, as were, I
22 believe, the Research Subcommittee did receive copies of the
23 survey.

24 CHAIRPERSON JAMES: Well, if the Research Subcommittee
25 has it and the staff has it, I see no reason why the rest of the
26 Commission --

27 DR. POOL: That's correct.

1 CHAIRPERSON JAMES: -- members cannot have it.

2 MS. SCHWARTZ: May I just make one request? It is only
3 going to take about another week or so to complete every single
4 poll we have. If you could not make it public to people who may
5 be respondents until such time, it will just guarantee --

6 COMMISSIONER BIBLE: We have provisions for
7 confidentiality of information.

8 MS. SCHWARTZ: All we need is the time to finish
9 administering it without that. So I would make that request.

10 CHAIRPERSON JAMES: Right. I think that's a reasonable
11 request, I'm certain.

12 I am going to have to exercise a little bit of
13 restraint here -- thank you very much -- and rearrange our
14 calendar a little bit for this afternoon. We have several more
15 presenters, who have been extraordinarily patient as we have gone
16 through our time.

17 There's also been a desire or request by staff for a
18 group photograph of the Commission for the final report. I am
19 going to ask if that can be done tomorrow, as opposed to today.
20 Yes. Well, see, some of you guys don't have to worry about if
21 it's a bad hair day.

22 COMMISSIONER LOESCHER: Staff will be putting this
23 photograph up in their homes? Is that why they want it?

24 CHAIRPERSON JAMES: I don't want to know all of the
25 uses they're going to make of it, but I do want to take a
26 five-minute break. And then we will get right back with Mr.
27 Finnegan and Mr. Scheppach.