

1 P-R-O-C-E-E-D-I-N-G-S

2 (8:36 a.m.)

3 CHAIRPERSON JAMES: Good morning. Welcome
4 to the fifth meeting of the National Gambling Impact
5 Study Commission, and our second site visit. I'd like
6 to call the meeting to order.

7 My name is Kay James. And on behalf of the
8 Commission I'd like to welcome you. For those of you
9 who are joining us for the first time, this Commission
10 was created by Congress in 1996 to conduct a
11 comprehensive legal and factual study of the social and
12 economic impact of gambling in the United States on
13 governments, communities, businesses and individuals.

14 The nine members of the Commission were
15 appointed by the President, the Speaker of the House
16 and the Senate Majority Leader. And in June 1999 we
17 will report our findings to the federal, state and
18 Native American Tribal governments.

19 Previously, we've conducted three meetings
20 in Washington, established an ambitious research agenda

1 and visited Atlantic City. We're pleased to gather
2 today and tomorrow here in Boston to begin our
3 examination of state lotteries.

4 Before we get started, I'd like to
5 recognize that Commissioner Leone is on his way, for
6 those commissioners wondering if he will be joining us.
7 He is. He's experiencing a little bit of traveling
8 difficulties, and will be here momentarily.

9 I want to start this morning by making a
10 very important point. The Commission is not here today
11 to target the Commonwealth of Massachusetts or the
12 Massachusetts Lottery, nor to hold it up as an example
13 of any sort. We are guests of the Commonwealth of
14 Massachusetts and we appreciate your cooperation in
15 hosting this meeting of the Commission.

16 We are in Boston today to hear and learn
17 from individuals familiar with lottery operations in
18 Massachusetts, as well as individuals familiar with the
19 lottery operations in Georgia, and Ohio and around the
20 country. While we're pleased to be joined by several

1 lottery directors, I regret that many of our state
2 government officials the Commission invited were unable
3 to participate due to a variety of reasons. State
4 government perspectives are vital to our study, and we
5 will look for additional opportunities to hear from
6 them.

7 We're also here to talk with those who
8 studied the cost and benefits of state lotteries,
9 advertising and government regulations, as well as to
10 those charged with enforcing these
11 regulations, protecting the public and preventing under
12 age gambling.

13 We've chosen Boston because this region has
14 a number of very aggressive and some would argue
15 successful lottery games. We're not here today to
16 consider individual cases or complaints pending
17 investigations or local political battles, all of which
18 may be important, but not a part of our specific
19 congressional charge.

1 While much of the attention of this
2 Commission and that of both the supporters and
3 opponents of legalized gambling has focused on casino
4 style gambling, it is my belief that state lotteries
5 pose much more difficult questions and problems. As we
6 will hear shortly from our research staff, lotteries
7 are the most wide spread form of gambling in the United
8 States. And they are administered and regulated by
9 governments as monopolies and they offer the lowest,
10 some believe, odds of winning and the highest profits.

11 As a former state official, I can
12 understand the dilemmas states face and, being involved
13 in so-called entertainment function, their
14 responsibility to protect the public welfare and the
15 dependence of so many state budgets on lottery
16 proceeds.

17 Charles Clotfelter, one of the foremost
18 researchers in this field, and a witness later this
19 morning, noted in a 1990 article that the only lessons
20 the states are teaching is that government will do

1 almost anything for the sake of increased revenue, even
2 entice their residents to spend more than they can
3 afford on a lousy bet. That's his quote.

4 This and potential alternative revenue
5 sources are among the most difficult issues which this
6 Commission is mandated to address. We have begun to
7 address general questions about the impact of gambling,
8 but among the specific questions to state lotteries we
9 must consider, I believe, are the following. In this
10 era of downsizing and right sizing, can continued
11 government involvement in a function like lotteries be
12 justified? Is government regulation, of itself, even
13 possible? Is government competition with other forms
14 of gambling fair? Are funds raised by the lotteries
15 used as they were promised? Are marketing limitations
16 appropriate? Should lotteries run as businesses or as
17 public sector venues, ventures? What contribution does
18 the lottery make to the problem of compulsive gambling?

19 These are very complex questions, and I
20 think they deserve our attention and our study. We're

1 here today to frame these questions and others as a
2 part of our ongoing study. We ask these questions not
3 simply as federal officials, but as representatives of
4 the communities in which we live, as citizens, as
5 parents and as taxpayers. And while we are indeed here
6 from the federal government, I'll state at the outset,
7 that some may say with a sense of humor, are we indeed
8 here to help. Well, we are hear to listen, and we are
9 here to ask questions.

10 Our panels are designed to address some
11 broad questions, who plays, who wins, who loses, how
12 are lotteries run, and what alternatives exist. And
13 can the government regulate itself. Background
14 information on these subjects has been developed by the
15 Commission staff, and will be presented before the
16 panel begins.

17 In addition, the Commission will begin its
18 study of Native American gaming issues. A later
19 hearing and additional site visits will be devoted to
20 this subject. But while we are here in New England, it

1 seemed appropriate that we provide an opportunity for
2 Commissioners to visit Foxwoods Resort and Casino.
3 Because of our tight schedule, we are not able to
4 devote a significant amount of time to the casino, but
5 we appreciate the invitation of the Pequot Tribe and
6 their efforts to accommodate us as a commission.

7 It has been noted that the Foxwoods Resorts
8 and Casino is not representative of all Native American
9 gaming. We are aware of that, and on our site visits,
10 our other site visits, we plan to see various forms of
11 gaming enterprises and various levels of success.
12 Foxwoods is however, by its own advertising, the
13 largest casino in the world, and that alone is reason
14 enough for this Commission's interest. In comparison,
15 not visiting the casino would ultimately, I believe, be
16 detrimental to our overall study.

17 I want to thank Commissioner Loescher, and
18 Rick Hill of the National Indian Gaming Association for
19 their ongoing assistance and guidance as we look into
20 this issue. I think it helpful for us to remember that

1 we're not commissioned to question or analyze federal
2 jurisdiction over certain matters or sovereignty of
3 Native American Indian Tribes, just as we are not
4 engaging in this kind of a discussion regarding federal
5 and state relations. Instead, we look at the same
6 issues, relate it to social and economic impacts of
7 gambling upon Native American communities.

8 We're grateful to those witnesses who are
9 able to join us. In preparing for this meeting,
10 Commission staff invited experts from the private and
11 public sectors, academia, business, and also the
12 treatment community. A number of individuals with
13 some expertise were unable to join us today because of
14 scheduling conflicts, and we're hopeful that their
15 comments will still be included where possible.

16 Nevertheless, I have to admit that we were
17 disappointed at the lack of relevant and timely
18 research being done by states, think tanks,
19 universities and individuals. Sadly, this is
20 consistent with the overall lack of research in general

1 about the impact of gambling. A notable exception,
2 however, was brought to our attention by Commissioner
3 Leone and I want to publicly commend the American
4 Academy of Political and Social Science which devoted
5 its March 1998 annual to the subject of the
6 socioeconomic impacts and public policy of gambling.
7 I've asked our staff to provide a copy to each
8 commissioner.

9 And I know that each of us on this
10 Commission is seeking the most thorough and up to date
11 information and analysis of this very complicated
12 subject. And I would encourage other researchers and
13 organizations to build upon this work. It all cannot
14 be done by this Commission, and what we encourage and
15 look forward to is the work that's being done in that
16 sector.

17 One of the saddest news stories related to
18 gambling in the past few weeks was the terrible murder
19 of four Connecticut State Lottery employees, including
20 its director Otho Brown. At Commissioner Bible's

1 request we had invited Mr. Brown to testify and were
2 aware that he was considered a consummate professional
3 and mentor to many involved in this field. While the
4 reason behind this tragedy may never be known, we
5 express our condolences to the families and to the
6 coworkers that were involved.

7 Finally, before we begin, I want to express
8 my appreciation to the individuals who have provided
9 advice, suggestions, and logistical assistance to the
10 Commission as we prepared for this site visit. I want
11 to particularly thank Sam DePhillipo, the Director of
12 the Massachusetts Lottery, for his efforts in making
13 this visit worthwhile. Other than the extremely cold
14 weather, after having come from the South, our
15 reception here has been quite warm, and we're grateful
16 to the Commission staff and those who assisted them in
17 putting this meeting together.