

1

2

3

4

5

6

7

CHAIRPERSON JAMES:

I'm going

8 to interrupt our questioning right now, to welcome here
9 today, we've been joined by the Massachusetts Attorney
10 General Scott Harshbarger. And I thank you for the
11 Herculean effort that I know that you've made to be
12 here. And for being patient and flexible with the
13 scheduling, and it is very much appreciated by this
14 Commission.

15

16

17

18

19

20

Just by way of a little bit of
introduction, General Harshbarger has served the State
of Massachusetts as Attorney General since 1991. He is
the immediate past president of the National
Association of Attorneys General. His office recently
sponsored and published a study on lottery and youth

1 access. And the Commission is very eager to hear your
2 remarks. General, welcome.

3 ATTY. GEN. HARSHBARGER: Thank you very
4 much. I'm honored to have this chance, and I thank you
5 for both accommodating schedules and it was a necessity
6 of being flexible, for those who aren't from
7 Massachusetts. I mean when you're between several
8 saint days of St. Patrick's Day celebration and your
9 name is Harshbarger in Massachusetts you have to try to
10 be flexible, because you have to be in a lot of
11 different places at one time.

12 But I'm very pleased you're here. And I
13 want to read a prepared testimony. I'd be glad to
14 answer questions and I think it might be best if I did
15 focus on the prepared testimony, because I'm very
16 interested in what you're doing. We're all very
17 pleased, I will say, just as an introduction, that you
18 are in business and operating.

19 As you know, the Attorneys General have
20 been supporting the creation of the Commission and the

1 appointments being made for various reasons you've
2 heard, I know you go around the country, from various
3 Attorneys General on a range of issues whether it's
4 Indian gambling, or casino issues. And this is just,
5 to us, so important that there be some kind of an
6 objective overall assessment on where we are in this
7 area. So, I want to just thank you very much, and I
8 appreciate very much your coming here.

9 As you know, I've been a consistent, and
10 some say chronic, opponent of the expansion of
11 legalized gambling in Massachusetts. Particularly in
12 the area of casino gambling, but also some of the other
13 forms of expansion like Keno. I welcome the
14 opportunity to participate in the Commission's fact
15 finding, because I believe there are important national
16 lessons to be learned from the lottery experience here.

17 After living with its consequences for 26
18 years, the people of Massachusetts can tell you that
19 the lottery is both a blessing and a curse. For
20 hundreds of thousands of people playing a number is a

1 harmless, daily entertainment, a lift they count on as
2 much as a cup of coffee. But for thousands of others
3 it's a luxury they can't resist and they can't afford,
4 a corrosive habit that plants the seed for a serious
5 addiction to gambling. For the state, the lottery is a
6 painless way to raise \$505 each year for every man,
7 woman and child in Massachusetts, without the political
8 agony of raising taxes.

9 When the Commonwealth launched its first
10 lottery game, no one knew that the Massachusetts
11 Lottery would become the biggest per capita sweepstakes
12 business in the nation. With more than 30 games,
13 including scratch tickets, weekly and daily numbers,
14 Keno, and Powerball. In a time when no politician of
15 any party will even talk about raising taxes, the
16 lottery has become a truly irreplaceable source of
17 income.

18 And the story is much the same across the
19 country. Today, lotteries are one of the largest
20 generators of government funds, totaling more than

1 \$13.8 billion in revenues. Their advertising budgets
2 alone total more than \$300 million. And since most
3 lottery revenue is earmarked for cities and towns, or
4 for education, it's no wonder that the states like
5 Massachusetts have become lottery addicts.

6 But we need to understand that this is a
7 national addiction with significant social
8 consequences, because lotteries are about more than
9 money. They are about people. And for each wonderful
10 story of a winner, there are thousands of untold
11 stories about losers.

12 A nationwide survey suggests that, as a
13 percentage of household income, the poor spend four
14 times as much on gambling as people in higher brackets.
15 More simply, the lottery's best customers are those who
16 can least afford to throw their money away.

17 In Massachusetts, lottery sales outlets
18 saturate working class neighborhoods. The cities with
19 the highest unemployment rates, drop out rates and

1 adult illiteracy rates are fueling the lottery's never-
2 ending hunger for revenue.

3 In 1996, The Boston Globe reported that the
4 people of Chelsea spent \$915 per capita on lottery
5 tickets. The far wealthier suburb of Weston spent only
6 \$63 per capita.

7 When people with relatively low incomes
8 start spending large amounts on the lottery, it can
9 start a very destructive cycle. The more money you
10 lose, the more you're tempted to bet to make up for it.

11

12

13 At the same time, the state is engaged in a
14 vicious circle that runs the other way. The more money
15 you make with the lottery, the more money you're
16 tempted to make.

17 When the lottery began in Massachusetts, it
18 was given a fairly extensive advertising budget,
19 because its very reason for being was to increase sales
20 and revenues. The more they advertised, the more

1 tickets they sold. The more they sold, the more money
2 poured into local aid. The more that localities came
3 to depend on that aid, the more the lottery expanded
4 the games it offered and the places it appeared. The
5 circle closed, and the cycle continues today.

6 All the while, we ignored the potential
7 social costs. We ignored the fact that our children
8 were playing the lottery. A 1994 sting conducted by my
9 Consumer Protection and Antitrust Division showed that
10 children were able to purchase lottery tickets 80
11 percent of the time. A 1996 sting found that in 166
12 attempts children were able to place Keno bets 109
13 times or a success rate of 66 percent.

14

15

16 And a footnote here, as you will notice
17 that the documents that are coming out in the
18 cigarette, tobacco litigation's are demonstrating the
19 targeting of kids. This is an almost higher rate of
20 noncompliance with the law in the Keno area than we saw

1 and were seeing in the area of stings relating to
2 children being able to purchase tobacco. The results
3 were disturbing. We even found that the daughter of
4 one of my prosecutors, a nine year old child, was able
5 to purchase a lottery ticket at a convenient store. In
6 our Keno sting, we discovered that store owners were
7 letting children as young as 14 years old play Keno.

8 We ignored the fact that more than 90,000
9 Massachusetts adults had become addicted to gambling.
10 We ignored the fact that individuals were stealing from
11 their families, their friends, neighbors and loved
12 ones, simply for a long shot chance to strike it rich.

13 No one had ever considered that a lottery
14 with the sole mission of generating money would not be
15 able to regulate itself at the risk of reducing its
16 income. After all, who wants to kill the Golden Goose,
17 even if it's run amok?

18 When our lawmakers finally slashed the
19 Lottery's advertising budget several years ago, Lottery
20 officials actually entered into a direct mail coupon

1 arrangement to keep the customers coming. They even
2 used discount lottery coupons as currency to purchase
3 advertising services. When the cities and towns
4 complained about the negative impact the Keno video
5 lottery was having on their quality of life, the
6 Lottery suspended Keno licenses, but only until the
7 unrest subsided.

8 My point is this, as with any form of
9 legalized gambling, there are downsides that are
10 forgotten, ignored, and conveniently overlooked,
11 tangible and intangible costs in terms of crime, and
12 corruption, and social costs, including regressive
13 taxation and compulsive gambling. We never hear about
14 these when new games or new proposals for gambling are
15 introduced. The most insidious costs of all, however,
16 is the values confusion created by the mixed messages
17 inevitably sent when a state encourages gambling.

18 We may not be able to turn back the clock,
19 or turn off the lottery revenue stream, but we can

1 learn lessons that as a matter of public policy allow
2 us to exercise more thoughtful control over the future
3 impact of lotteries on our states.

4 Based on our experiences here, there are
5 four suggestions I offer to those grappling with the
6 dilemma of state run gambling.

7 First, do not under-estimate the grassroots
8 concern about the regressive nature of lotteries and
9 their potential impact on children and a community
10 quality of life. Mechanisms should be established up
11 front to limit the number of ways the state volunteers
12 to separate people from their paychecks. For each new
13 lottery game allowed on the market, an old one should
14 be pulled.

15 Second, be especially wary of video
16 gambling like Keno and other instant winner games.
17 These games can have a qualitatively different and
18 significant impact on a community's quality of life.
19 Given their highly addictive nature, it's especially
20 disturbing to see video lottery terminals hang from the

1 ceiling of retail establishments patronized by children
2 and teenagers.

3 Third, devote large slices of the lottery
4 revenue pie to the effort to combat compulsive
5 gambling. Compulsive gambling hotline numbers should
6 be printed on every lottery game card and every lottery
7 ticket, as should the odds of winning a particular
8 game. From a consumer protection standpoint, it must
9 be made clear to everyone who plays the lottery that a
10 lottery is an adult game of chance with real risks not
11 a painless quick fix that makes dreams come true.

12 Fourth, and finally, states should make
13 sure that lotteries police themselves as closely as
14 possible in terms of their agents, vendors,
15 investigators and other key personnel, and internal
16 security controls.

17 Last month in Massachusetts, for example,
18 I'm sure you're aware, a women who spends approximately
19 \$100 each week on the lottery claimed to have phoned in

1 the \$21 million jackpot number. But the convenience
2 store owner claims the winning ticket is his.

3 For better or worse, any state that goes
4 into the business of managing and promoting gambling
5 should do all it can to set the best possible example
6 and plan to prevent every possible abuse and
7 embarrassment.

8 Let me conclude by saying that the state by
9 state debate over the expansion into casinos and slot
10 machines should be shaped by the cautionary cost-
11 benefit analysis we've applied to state run lotteries.
12 In Massachusetts we recently had a debate over a
13 proposed casino in New Bedford. As you may know, I
14 have consistently been opposed to any form of expanded
15 gambling.

16 As chief law enforcement officer, I've
17 stressed over the years the dramatic increases in
18 crime, corruption, and compulsive gambling that
19 inevitably will accompany expanded gambling in the
20 Commonwealth. I've also outlined the serious

1 regulatory and law enforcement structures that would be
2 needed to oversee a casino, and the costs needed to
3 establish and operate these structures. In particular,
4 I've warned about the broken promises made to other
5 states by the casino industry, in term of jobs, and tax
6 revenue projections. And I have expressed my belief
7 that the Commonwealth should strive for real economic
8 development policies rather than policies that simply
9 redistribute income into the hands of out of state
10 casino owners.

11 I've said time and again, that before we
12 make any decisions about expanded gambling, we need
13 more objective information about its impact, good and
14 bad. And I applaud this Commission's clear commitment
15 to just that, to learn these lessons and bring them
16 into the national policy debate. My hope is that
17 through your work you will be able to make an informed
18 policy decisions about all forms of gambling, and not
19 find ourselves holding hearings five, ten to 25 years

1 from now, to try to figure out how to close a Pandora's
2 Box of rabid state sanctioned gambling.

3 People need the chance to step back and
4 make informed decisions. The more objective the
5 information and real life lessons you can inject into
6 this process the better. Otherwise the way it happens
7 is the way it happened here, and will happen in many
8 places. Which is, that promises will be made to
9 communities that desperately need the revenue, or
10 searching for alternatives as ways to cope with
11 economic problems, and promises are made that under any
12 consumer protection set of regulations would be
13 demonstrably false and could not be proven. But you
14 never learn about the costs until after the casino or
15 the expansion is in place. And then the pressure
16 exists to avoid closing it down.

17 Our goal has been to try and make sure that
18 people saw the costs at the same time they look at the
19 benefits, so public policy discussion can be based on

1 costs as well as benefits and not solely on promises by
2 those who have a vested interest in its success.

3 People do need this chance to step back and
4 look at these decisions objectively. But looking at
5 both sides of the gambling ledger is the only way the
6 public will have the opportunity to strike the
7 appropriate balance between the need for government
8 revenue and the responsibility to protect the quality
9 of life for this and for future generations.

10 Thank you very much.

11 CHAIRPERSON JAMES: Thank you, General
12 Harshbarger.