

1 CHAIRPERSON JAMES: Questions? I'm going
2 to start down this way, this time.

3 Commissioner McCarthy.

4 COMMISSIONER McCARTHY: General, first of
5 all I noticed the color of your tie, and I find it
6 cheerful. And I realize it's also for purposes of
7 survival in your state, that you're wearing that. Just
8 looking around the membership of the Commission and I
9 see that they get a pass today because it's March 16th,
10 but tomorrow, I certainly hope to see a lot more green
11 than is in evidence today.

12 CHAIRPERSON JAMES: We would expect nothing
13 less from you, Commissioner McCarthy.

14 COMMISSIONER McCARTHY: Thank you.

15 You said in your testimony, did I
16 understand you correctly, there are 90,000 citizens of
17 Massachusetts addicted to the lotteries?

18 ATTY. GEN. HARSHBARGER: It is the
19 compulsive gamblers. The statistics that I got.

1 COMMISSIONER McCARTHY: Compulsive
2 gamblers. Where did that come from?

3 ATTY. GEN. HARSHBARGER: First of all, I
4 think you may hear from the Commission on Compulsive
5 Gambling here that exists in Massachusetts. And the
6 numbers that were generated by various surveys and I
7 don't know if Dr. Shaffer and others were part of the
8 various surveys, but these estimates are based on
9 surveys done.

10 And Angela, do we know the number, where
11 exactly that came from.

12 This is Angela Lee, Assistant Attorney
13 General in my office. I've used it enough times now.
14 This is the National Institute of Mental Health study
15 on that percentage. But we've also, and it's also
16 been, they continue to do surveys here, yes.

17 COMMISSIONER McCARTHY: Thank you.

18 Dr. Steinberg, did you, are you acquainted
19 with those figures?

1 DR. STEINBERG: Well, I was just going to
2 add that they came from a state sanctioned survey of
3 the entire population, adult population of
4 Massachusetts. A number of these surveys have been
5 conducted either under National Institute of Mental
6 Health auspices or state auspices and that's the
7 projection from the percentage of problem gamblers that
8 were determined by these telephone surveys.

9 COMMISSIONER McCARTHY: It would be
10 helpful, I think, if we could get a copy of that
11 survey.

12 To President Paul, how many states do that
13 kind of study? Are you aware that, how many, we've
14 been looking at other forms of legalized gambling, you
15 know, how many pathological gambling problems, severe
16 problem gamblers are produced by those forms of
17 gambling? We're starting to look more closely at
18 lotteries now. Are you aware, as the head of all of
19 the state regulators in the lottery industry, how many
20 states have done studies to try to determine in

1 scholarly objective ways, how many pathological or
2 serious problem gamblers there are that are created by
3 their addiction to lottery gambling?

4 MS. PAUL: Sir, I believe in general that's
5 something that's dictated by each legislature. Because
6 they determine how every lottery dollar is spent. Some
7 legislative bodies have done that either through
8 lottery dollars or through other dollars, that they be
9 more necessary. I believe that type of research exists
10 in most lottery states.

11 COMMISSIONER McCARTHY: Do you have a list
12 of those? Does your organization compile lists of
13 research done on the social and economic affects of
14 lotteries?

15 MS. PAUL: We do have some of that
16 research, sir.

17 COMMISSIONER McCARTHY: Thank you.

18 CHAIRPERSON JAMES: Please, did you want to
19 respond to it.

1 DR. STEINBERG: I was just going to add
2 that I don't have the specifics either, but I think
3 that there, of the states that have a lottery, fewer
4 have conducted statewide surveys of problem gambling
5 than have conducted it. So I would disagree that most
6 states that have lotteries have conducted state
7 sponsored surveys of problem gambling.

8 CHAIRPERSON JAMES: Well, we will certainly
9 ask the staff in conjunction with you, to see if we can
10 ferret that out.

11 Commissioner Bible.

12 COMMISSIONER BIBLE: A question for General
13 Harshbarger. I suppose if I walked outside today, I
14 could probably get a computer and engage in gaming over
15 the Internet in the Commonwealth of Massachusetts. Is
16 that legal in the state of Massachusetts?

17 ATTY. GEN. HARSHBARGER: I just missed the
18 last part.

19 COMMISSIONER BIBLE: If I went outside
20 today, and hooked up to the Internet, and gambled on

1 the Internet, would that be a legal activity in the
2 state of Massachusetts?

3 ATTY. GEN. HARSHBARGER: We say it's not.

4 COMMISSIONER BIBLE: Have you taken any
5 action against any of the people who are exposed to
6 these things?

7 ATTY. GEN. HARSHBARGER: We are at this
8 point, I think we did two things. One was the National
9 Association of Attorneys General, you're probably aware
10 with the telephone issue that that violated our laws.
11 And we've also taken that of a very aggressive task
12 force effort on the Internet gambling at this point. I
13 don't believe we have any actions. Do we have any
14 actions on those? We've signed on joining the
15 Attorneys General in, to outlaw it specifically.

16 But it was one of the questions I was asked
17 at our hearings when we were opposing the casinos in
18 the legislature. And the Internet issue is: has the
19 potential to make all this just pale by comparison in
20 terms of state, the effect of state laws and the

1 ability to regulate at this level. We think we can do
2 it on the telephone, but we're sure, the Internet is
3 going to be tricky.

4 I mean this is why I think, we took the
5 position with Attorney General Reno and we do each
6 year, that this is why national enforcement policies
7 and national legislation is going to become crucial in
8 this area because it's going to be very hard on a state
9 by state basis to stay up with this. We have these
10 same issues now with telemarketing and other kinds of
11 things. We oppose it, but we have not brought actions
12 against people. We've done it in mail order or
13 Internet use for alcohol, or for tobacco and that kind
14 of thing, and we would if we can get the evidence,
15 we'll bring an action and see what happens.

16 CHAIRPERSON JAMES: Commissioner Loescher.

17 COMMISSIONER LOESCHER: Yes, Madam
18 Chairman, I have a couple of questions.

19 Thank you very much for your being here.
20 I'm interested in your role in the Association of

1 Attorney Generals across the United States. That
2 Association has taken some very hard positions against
3 Native American gaming. And I wanted to ask you a
4 couple of questions.

5 One is, do you believe that state gaming
6 and lotteries should be regulated under the Interstate
7 Commerce clause of the Federal Constitution?

8 ATTY. GEN. HARSHBARGER: Do I think state-

9 COMMISSIONER LOESCHER: Interstate Commerce
10 clause.

11 ATTY. GEN. HARSHBARGER: Should regulate
12 the state?

13 COMMISSIONER LOESCHER: Yes. Could it or
14 should it be regulated under the Interstate Commerce
15 clause of the United States Constitution?

16 ATTY. GEN. HARSHBARGER: I don't have an
17 opinion on that, I'd have to check that. There are
18 very few things I haven't taken an opinion on. Usually
19 I often don't have much information to base my opinion

1 on. But I'd take an opinion. I don't think I have an
2 opinion on this one.

3 COMMISSIONER LOESCHER: Okay, thank you.
4 The other question, Madam Chairman I have is that the
5 sovereignty of the State of Massachusetts and the
6 sovereignty of other states is important in, especially
7 in this area of gaming. The states have stood behind
8 the notion that they should regulate gaming within a
9 state governance system.

10 Native American Tribes feel like they have
11 same rights, yet the states Attorney Generals have
12 joined together and challenged those rights in the last
13 several years.

14 One of the charges of this Commission is to
15 look at alternative financing for gaming revenues of
16 the Native American Tribes, and why shouldn't that same
17 statutory requirement be placed upon state governments
18 as well?

19 ATTY. GEN. HARSHBARGER: Well, I mean, it's
20 a fair comment. Let me just give my perspective on

1 this. Doug Wilkins from my office will be here to talk
2 later today on specifics, on Indian gambling. And as
3 you know, or you may not know, in this state my view is
4 that, has been that law is precluding the, right now,
5 the establishing of casinos here in terms of the
6 Indian, Native American Sovereignty and the Tribal Act,
7 several of the Settlement Acts. I have not challenged,
8 at least in Massachusetts the Indian gaming, the
9 sovereignty. The question is where can those casinos
10 be and who has to approve them. Our position simply
11 has been that the governor and the legislature must
12 approve any compact in Massachusetts and a change in
13 the law on gambling.

14 So there's one level where ours has been a
15 legal judgement. I have taken a policy position. But
16 as on the matter of law, it is our view simply that in
17 Massachusetts the legislature and the governor must
18 approve. The legislature must pass the laws, the
19 governor can't do it independently. And there's been,
20 there's dispute about that, I want to make that clear.

1 But the argument, this is the issue in Massachusetts on
2 this.

3 The other point about it has been, with all
4 due respect, that the 250 lobbyists who sit in the
5 Gardner Auditorium every year when we're debating the
6 expansion of gambling, are not there to root home
7 Native American rights. I mean they're hoping that the
8 casino will be approved for New Bedford or Fall River,
9 so that it will be the opening wedge to adding slot
10 machines for the race tracks, three or four other
11 cities will seek gambling because they will say well
12 now that the Wampanoags have it, we ought to have it.
13 So I think that what happens here that is being
14 utilized in that form, from my perspective. And the
15 legislatures generally agreed with that.

16 On the other hand, I believe, and you can
17 ask others, I'm sure you've talked with other Attorneys
18 General who deal with this much more than we do. In
19 the discussions that I've heard, whether it is Attorney
20 General Udall in New Mexico, or Attorney General

1 Humphrey in Minnesota, or Attorney General Lundgren out
2 in California, or others who are dealing with this
3 issue, one of biggest concerns has been the lack of
4 federal enforcement in these states. The concern has
5 been that what happens if the federal government
6 doesn't enforce, then the pressure comes on the state
7 to catch up. It's that issue as opposed to, you know,
8 the general question of the preemption rights. I mean
9 Attorney Generals have always asserted state's rights
10 in these areas in terms of preemption.

11 But a lot of it has been, not only the
12 concern with Native American rights, it has been that
13 the result is a lack of effective overall enforcement
14 and that it drives public policy. That is what happens
15 here with the tribe getting in it will drive state
16 policy and that's what the concern is.

17 But there are others who can give you, Mr.
18 Doug Wilkins will be glad to give you our position
19 exactly on existing litigation here in Massachusetts.

1 COMMISSIONER LOESCHER: Madam Chairman, one
2 other question for this panel to Rebecca Paul and maybe
3 to Dr. Steinberg.

4 The Commission is challenged by a lot of
5 people in America who are saying that lotteries and
6 other forms of gambling are immoral and impact the
7 worst part of human behavior and that there is a cost
8 to this to state and local government. And one of the
9 things, Rebecca, your testimony talked just briefly
10 about the investment that states make to deal with
11 behavioral gambling disorders is quite low. Given that
12 you're the president of the North American Association
13 of State and Provincial Lotteries, do you see any
14 evidence across the country and in Canada that there is
15 a willingness to invest a part of those dollars that
16 the lotteries have in trying to correct human behavior
17 disorders and try to help the community in that regard?

18 MS. PAUL: Sir, as I indicated to you
19 earlier, each of us work for and are part of a state
20 government structure. How our budgets are divided are

1 determined by elected public policy makers. Certainly
2 we are concerned as an industry about any social impact
3 that what we do might have on any number of
4 individuals. There are things that we can and do do
5 without monetary expenditures such as printing 1-800
6 hotline numbers on the back of lottery tickets,
7 producing public service announcements, some of those
8 types of things.

9 When you get to dollars in large amounts
10 contributed to treatment programs those are decisions
11 that must be made by the elected officials that we
12 report to. So those decisions are made by those
13 people, as opposed to us. As an industry, yes, we're
14 concerned. And yes we believe that we have a
15 responsibility to do all that we can within our power
16 to actually take lottery dollars and put them into
17 treatment programs are things that we don't have the
18 authority to do.

19 CHAIRPERSON JAMES: Dr. Steinberg, would
20 you like to answer that?

1 DR. STEINBERG: Yes. There certainly has
2 been a major change in the thinking at lottery
3 headquarters across the country. Unfortunately that
4 change is not significant enough. Just to give you an
5 anecdote from the past, about thirteen years ago I used
6 to debate the lottery director on television as to
7 whether the lottery was gambling.

8 When we advocated for a treatment program
9 in Connecticut, and in Connecticut we had the second
10 publicly funded treatment program in the nation. The
11 only way the legislation got passed in 1981 in
12 Connecticut was a special new tax on the parimutuels.
13 So the revenue was not tapped from the parimutuels or
14 the lottery. The legislators and the lottery did not
15 support the use of lottery dollars.

16 The reason I'm giving you this ancient
17 history is because I don't think it's ancient history
18 in some of the lotteries that exist today across the
19 country. And I do think that Ms. Paul's organization

1 needs to make this a priority and change the mindset
2 across the board.

3 I realize that each lottery is independent,
4 and each legislature oversees the lotteries. But I
5 think that there is a lot more that can be done and
6 should be done. And I think that this body by its
7 deliberations and report can influence the state
8 legislatures to take more responsibility in this area.

9 CHAIRPERSON JAMES: Commissioner Dobson.

10 COMMISSIONER DOBSON: I'd like to go back
11 to the previous testimony of Dr. Clotfelter. If I
12 understood Ms. Paul's testimony, she indicated that
13 there are more lottery outlets in convenience stores in
14 urban areas because that's where the people are. Have
15 you seen any indication at all that there is more
16 aggressive advertisement and placement of lottery
17 outlets by state lotteries in urban areas and low
18 income areas? Do you see any indication that there is
19 an effort to exploit the desperation of the poor?

1 DR. CLOTFELTER: There have been a couple
2 of allegations along those lines. And one that we
3 mentioned in our book is probably pretty old by now,
4 and it did happen in the State of Illinois. So there
5 have been some situations like that, but it's not my
6 impression that it is widespread or necessarily
7 aggressive. It's an attempt to raise revenues and one
8 of the things you do if you want to sell the most
9 tickets you can is advertise where you think your
10 customers are going to be.

11 COMMISSIONER DOBSON: Including
12 disproportionately in poor areas?

13 DR. CLOTFELTER: There are probably a
14 disproportionate number of outlets in areas that have
15 lower income because those tend to be working
16 districts. So that, there are more offices and that's
17 one reason why there might be more outlets in areas
18 that have lower income.

19 COMMISSIONER DOBSON: Conversely, and this
20 is the end of the question, conversely, there

1 apparently does not seem to be sensitivity to the
2 exploitation of the poor by protecting them in terms of
3 advertisement and placement of outlets?

4 DR. CLOTFELTER: I would, now I'm just
5 imagining, but if I were running a lottery I would not
6 want to be seen as exploiting the poor. So my guess is
7 that in policy circles in lottery agencies nobody wants
8 to look like they are exploiting the poor. And in the
9 case, the Illinois case there was a billboard that said
10 how to get from Washington Street to Easy Street, play
11 the Illinois Lottery. Washington Street happens to be
12 a big thoroughfare in Chicago's predominately minority,
13 poor area. And locals did take offense at that. And
14 it was not what you would want to have happen because
15 of the interpretation.

16 CHAIRPERSON JAMES: Dr. Steinberg, and then
17 we'll come back again.

18 DR. STEINBERG: Yes, I don't have specific
19 information on that point, but the relevant issue for
20 me is that the lotteries do not look at the fine points

1 in information that is communicated to the public. For
2 example, and I would guess that this might apply
3 elsewhere, in Connecticut in the last statewide survey
4 of lottery involvement sponsored by the state, they
5 found that the income between \$25,000 and \$40,000,
6 those folks were the ones that bought lottery tickets.
7 The highest percentage came from that income group.
8 However, just as evident in the tables is the fact that
9 below an income of \$25,000 a year there is evidence
10 that with decreasing income there is a higher
11 percentage of income spent on the lottery.

12 That to me is a very significant fact, and
13 it is not a fact that the Connecticut lottery chose to
14 tell the public. Now, it didn't hide it from the
15 public, it's in the table. So what I'm saying is, I
16 think we need to have concern and all of the data
17 that's generated from these reports, reported and
18 highlighted by the responsible segment of the
19 government.

1 CHAIRPERSON JAMES: Thank you. I have a
2 question for Ms. Paul, and then I will come back and
3 recognize some of the other commissioners. Sometimes I
4 forget to call on myself for a question.

5 I was very interested in how Georgia uses
6 the money and that it is truly earmarked as opposed to
7 how some other states conduct that. And my question
8 was, when the lottery was instituted in Georgia did you
9 do it that way from the beginning or was there a
10 transition period when you had to move from general
11 fund to earmarked funds.

12 MS. PAUL: Georgia has the advantage of
13 being one of the newest lotteries in the nation. The
14 Governor ran on a platform to bring a lottery to
15 Georgia in 1990. The referendum passed in `92 and the
16 lottery began in `93. Written into the enabling
17 legislation as law was that these were the only three
18 programs on which lottery dollars could be spent.

19 There is a debate going on in our
20 legislature in the last day of our legislative session

1 which is tomorrow, that would put on the ballot this
2 coming November similar language to take it from our
3 enabling legislation to the Constitution. So that the
4 Constitution of Georgia would say lottery dollars may
5 only be spent on HOPE Scholarships, pre kindergarten
6 programs and computer technology.

7 There are many things that happen in the
8 lottery industry, one of which is states learn from
9 other state's prior mistakes in any one of a number of
10 assertive ways. And certainly I think Georgia's
11 earmarking is because the timeframe under which the
12 Georgia lottery began.

13 CHAIRPERSON JAMES: Yes, it would seem to
14 me that it is awfully difficult to get the genie back
15 in the bottle once it's out. And so, I was very
16 interested if you had been able to do that, but it
17 sounds like you started that way.

18 I saw some hands down here. Let's go to
19 our newest commissioner who has joined us this morning,
20 Commissioner Leone, and then I will come back.

1 COMMISSIONER LEONE: I apologize, I was
2 enjoying the joys of non-competitive deregulated
3 airline travel.

4 And actually, I have a question for
5 Professor Clotfelter. I missed the testimony and you
6 may have covered this. But I have read your material
7 and articles. And there are a couple of questions that
8 occur to me.

9 One has to do with rational choice and
10 informed consumers and some of the conditions necessary
11 for an efficient market. We in other markets require
12 extensive disclosure for a variety of reasons, but we
13 also require labeling and a variety of other things in
14 the hope that that will enable consumers to make
15 informed choices which is necessary if the market is
16 going to work efficiently. Have you ever looked at the
17 economics in lotteries in those terms?

18 DR. CLOTFELTER: We did think about this
19 from a number of perspectives. As you know, labeling
20 is a big issue in consumer economics. And in food, for

1 example, labeling is much more extensive than it used
2 to be.

3 For the product called state lotteries
4 there's an interesting contrast in the laws that apply
5 to that product versus the laws that apply to
6 sweepstakes, for example. If you are McDonalds and
7 you're running a sweepstakes, you have got to post at
8 each store the odds of winning each of the various
9 levels of prizes and the numbers of those available.
10 And the states have not similarly put that restriction
11 on themselves.

12 And in fact, we did a fair amount of study,
13 which is really out of bounds, most economists don't
14 want to get this close to the data. But what we did,
15 we asked a number of the large lotteries to send us
16 television and radio ads, we viewed these. We looked
17 at things about how often the odds were shown and how
18 often the prize distribution was given, it's admittedly
19 pretty hard to give the whole prize distribution on a
20 television ad. But what you did see is that if a prize

1 was mentioned it was always the top prize. If a
2 probability was given it was always the probability of
3 winning any prize, and most often they were not given
4 at all.

5 And finally, we did have a group of TV ads
6 many of which are just delightful to watch, they are
7 very fun to watch, of a group of about fifty some-odd
8 that had players or past players, two thirds of those
9 showed somebody winning the lottery, and that does not
10 correspond even closely to the true probabilities.

11 So in answer to that, the information is
12 not available in most cases. You could go further and
13 say, what if it were. The odds that we're talking
14 about are so infinitesimal that the psychologists who
15 have studied small probability events say that most
16 people's minds just boggle anyway, and they have really
17 no way to conceptualize what 1 in 13 million means. So
18 that they use other tricks to tell themselves whether
19 this is a reasonable probability. And two
20 psychologists named Dversky and Kahneman have come

1 across in various studies to show that one way that we
2 deal with things that are very small probability events
3 is do we know of a case in which that has ever
4 happened. So if in your advertising you show people
5 that it happens, then that's a way to increase at least
6 their subjective probability.

7 Is that responsive to your question?

8 COMMISSIONER LEONE: Yes, it is. But there
9 are a couple of other issues about disclosure and
10 information that I think about.

11 One is, in other areas we insist on the
12 provision of the number of the present value of a
13 stream of future payments, or conversely that stream of
14 future payments if it's mortgage on the other side.
15 People do understand that they're going to win a
16 million dollar lottery prize, which is paid out at
17 \$50,000 a year conventionally in most lotteries. Which
18 of course means the present value of that prize is
19 considerably smaller than a million dollars. And that
20 information is quite different from figuring the odds

1 of 13 million to 1. I think most Americans would
2 understand that they were in fact getting something
3 considerably less than what was advertised if the
4 advertising reflected the net present value of that
5 future income stream.

6 I know that in other kinds of investments
7 it is a requirement that that sort of information be,
8 we do a variety of things in other investments to
9 ensure that people understand what they're getting
10 into.

11 I don't suppose you ever came across
12 anything like that? I've never seen anything like that
13 in the lottery area.

14 DR. CLOTFELTER: There are two ways in
15 which the jackpots really do overstate the present
16 values. One is of course, it's a summation of the
17 twenty annual payments. And so it's not the present
18 value. And the other is that there are taxes applied
19 to lottery winnings. And in the case of federal income
20 taxes they can be pretty high because if you're a big

1 winner you're in a top bracket. So if you wanted to
2 give something more comparable to what our banks tell
3 us the effective annual yield is, you would at least
4 want to put it in present value terms.

5 CHAIRPERSON JAMES: Commissioner Wilhelm.

6 COMMISSIONER WILHELM: I'm glad the
7 Attorney General was able to join us, I'm sorry he had
8 to leave. I would ask the Commission staff if they
9 could attempt to determine from the Attorney General or
10 from somebody else in the state, perhaps the State
11 Treasurer, if with respect to this alleged elimination
12 or dramatic reduction in advertising, the advertising
13 budget of the Massachusetts Lottery whether in fact
14 that reduction was effectuated or whether it was
15 circumvented as was implied by part of his testimony.

16 And in connection with that, what impact
17 there was during period of reduced advertising revenue
18 on, I'm sorry, reduced advertising expenditure, what
19 impact there was on their revenues of the Massachusetts

1 Lottery. I would be interested to know if there was a
2 relationship.

3 And then, in his absence, I want to make
4 two observations that I had hoped to ask in the form of
5 questions. And I don't know if any of the other panel
6 members would care to comment on either of these. I
7 want to say to the Chair and the staff, I think this is
8 an extraordinarily useful panel, and I appreciate all
9 of your participation as well as the fact that the
10 group was assembled.

11 First, with respect to this issue about
12 whether or not the lottery or other forms of gambling
13 prey in some improper way on poor people. I understand
14 the issue, and I'm not unsympathetic to the issue. I
15 do think we have to be extremely careful with it though
16 because, and I would separate the behavior of most
17 people from the behavior of people who have a
18 compulsive gambling disease or addiction.

19 With respect to the behavior of most
20 people, I don't know that it is a sound for the

1 Commission at least, or anyone else for that matter, to
2 sort of make an argument that we know better than
3 people who may be in a lower economic rungs of society,
4 what's the smart way for them to spend money.

5 If a person is in a life situation where
6 the likelihood of them ever having \$500 or a \$1,000 let
7 alone \$50,000 in their hand is nil, I don't think it's
8 appropriate for someone like myself who has the good
9 fortune to have a better income than that to say well
10 you shouldn't spend a buck or five bucks or whatever it
11 is you choose to spend, in the hopes of getting that
12 kind of a financial reward. Because if that person had
13 no other possibility of getting it, I think that's
14 their decision not ours. And again, I would
15 distinguish that from people who do have a disease.

16 So I think we need to be very careful not
17 to be telling people who are perfectly capable of
18 determining what is in their own best interest, what we
19 think is in their best interest.

20 The other question I really wanted to ask-

1 CHAIRPERSON JAMES: John, before you move
2 on, could we just talk about that one a little bit.

3 COMMISSIONER WILHELM: Certainly.

4 CHAIRPERSON JAMES: I know that Dick wanted
5 to jump in, and I guess my only concern on that point
6 would be that of course poor people are entirely
7 capable of making their own decisions and life choices,
8 given accurate information. Which is why we get to the
9 point of whether or not accurate information is given
10 through the advertising, whether or not they really
11 understand the issue of present value of the future
12 income streams, whether or not the advertising is
13 particularly targeting and selling a false hope in
14 terms of what are the chances of your getting that
15 \$1,000.

16 COMMISSIONER WILHELM: You know, I lived
17 for 24 years in poor and working class neighborhoods in
18 New Haven, Connecticut. And you know, before the
19 lottery came along, large proportions of the people
20 played the numbers. Now I'm not prepared to reach the

1 conclusion that they're all stupid. The local numbers
2 runners didn't publish charts of, you know, what the
3 return was going to be. And I'm really not trying to
4 be funny, that's the truth.

5 And to the extent that the lottery may have
6 reduced, somebody argued earlier, or eliminated the
7 numbers business, that's an interesting claim, but you
8 know, I don't think people necessarily need charts of
9 mathematical probability to know what the realities
10 are.

11 It's just a personal opinion.

12 CHAIRPERSON JAMES: Yes, I would agree.
13 I'll turn it over to Dick Leone.

14 COMMISSIONER LEONE: Well, I'll just say,
15 John, the fact that people make unwise choices and that
16 you would have to be unduly obtrusive to prevent them
17 from making unwise choices does not mean that
18 therefore, the government ought to exploit the
19 opportunities that are presented by their unwise
20 choices. Or that the society can't insist, indeed go

1 to very great lengths, as we do in many, many other
2 areas on the information being available.

3 You know, one of my irrational concerns is
4 that this hair is leaving. And I am aware that there
5 are a great many products that promise to take care of
6 that problem. But we have very strict rules about what
7 you can say or not say about whether or not a product
8 can grow hair.

9 We have rules about a wide variety of
10 things that require disclosure and indeed we do that
11 for moral grounds, we do it for economic grounds,
12 because we believe that economic efficiency requires
13 knowledgeable consumers. And I think that doesn't mean
14 there's not human weakness or human irrationality or
15 that sometimes people don't particularly at certain
16 stages of their life do things that are relatively self
17 destructive. But for the government to decide that
18 it's going to, and I think to be the worst participant
19 in this whole array of gambling activities, decide
20 it's going to exploit the most irrational acts of

1 gambling and provide the least information about how
2 this money is spent raises a lot of questions.

3 I think we hold government to a higher
4 standard on just about everything, you know, and I
5 don't know why we wouldn't in this area.

6 COMMISSIONER WILHELM: I don't disagree
7 with either one of your points, with respect to
8 exploitation, by which I presume you mean in particular
9 advertising not with respect to disclosure. I was
10 trying to make the relatively more narrow point,
11 however, that I don't believe it can be demonstrated
12 that non-compulsive participation in the lottery, even
13 by very poor people is necessarily an irrational
14 behavior, compared to the possibility of achieving the
15 same rewards through other methods that are not
16 available. I agree with both of those points.

17 Can I do my other point, or we're going to
18 go along with this one?

1 CHAIRPERSON JAMES: Why don't we let you
2 finish up and then I will come over to Commissioner
3 Lanni.

4 COMMISSIONER WILHELM: The other thing
5 which I really had hoped to ask as a question to the
6 Attorney General is this. And I confess up front, as I
7 have in the past, to a bias in favor of activities that
8 generate or at least have the potential to generate
9 quality jobs as opposed to those that don't. And in my
10 own mind I would put lotteries in the latter category
11 as distinguished from casinos which at least in some
12 circumstances, particularly when they're unionized,
13 belong in the former category.

14 CHAIRPERSON JAMES: Go figure.

15 COMMISSIONER WILHELM: But, one of the
16 reasons that I really thought Massachusetts was
17 interesting is I'm interested in a state where the
18 populace as a whole gambles on the average a great deal
19 compared to many other states. And which has as a
20 result of the political process the Attorney General

1 referred to, has decided at least thus far to prohibit
2 the Native American casino that was proposed here that
3 Commissioner Loescher referred to. But at the same
4 time appears to me to be rushing down the trail as fast
5 as any that I'm familiar with, with the possible
6 exception of California toward having what amounts to
7 lottery originated virtual casinos.

8 And I'm really puzzled by that. I don't
9 understand, and I really wish the Attorney General was
10 here and I don't know if anybody else knows the answer
11 to this. But I'm really puzzled by a state that says
12 absolutely not to one form of gambling that does at
13 least create, or can at least create decent jobs. And
14 then appears to be rushing toward another form of, you
15 know, Keno every five minutes all over the state in
16 stores and bars and everything else to me is part way
17 down the road toward state sponsored virtual casinos.
18 And I don't get it. That would have been a question if
19 the Attorney General was still here.

1 CHAIRPERSON JAMES: Why don't we submit
2 that question to him in writing and see if he will
3 respond, and we will ask the staff to get an answer
4 from him for the Commission.

5 Commissioner Lanni.

6 COMMISSIONER LANNI: I think if I'm not
7 mistaken, Deputy Attorney General Lee is still in the
8 room, is that correct? I think she is. So maybe she
9 could carry these questions, because I have some
10 questions also of General Harshbarger, who is obviously
11 off to a German-Irish friendship lunch that I reserved.

12 And I think we probably should further
13 investigate the neutrality of Ireland during World War
14 II as we note the General's green tie. My mother was
15 half Irish, so we probably won't have a thorough
16 investigation.

17 (Laughter)

18 COMMISSIONER LANNI: The General had
19 indicated there was a nationwide survey that suggested
20 that a substantive percentage of household income,

1 people in lower levels, was four times as prevalent to
2 game as in the lottery, I think was the reference here
3 then other individuals at higher incomes. I would
4 think it would be helpful for this Commission to
5 receive a copy of that survey. Unfortunately many
6 instances when we all are giving speeches we gather
7 information together and we throw away that doesn't
8 support our cause and keep the ones that do. And I
9 think we should take a look at that and see the basis
10 of that.

11 MS. LEE: Well actually it was a study
12 conducted by a panel member Clotfelter, and with Philip
13 Cook. And he had read it in Bob Goodman's book called
14 The Luck Business.

15 COMMISSIONER LANNI: Right. Then if we
16 could have a copy of that survey so that we could
17 study, because I don't think we've seen that, that
18 would be helpful.

1 I also had a question of the General, if he
2 were here, and I will ask you Deputy Attorney General,
3 you're Deputy Attorney General?

4 MS. LEE: Assistant Attorney General.

5 COMMISSIONER LANNI: You had a sting
6 operation on two different occasions that were
7 conducted under the auspices of the Attorney General's
8 office. I'd be interested in knowing the results of
9 that, was action taken by your office relative to these
10 individuals and what were the results?

11 MS. LEE: I'd have to refer, I would have
12 to get the answer for you.

13 COMMISSIONER LANNI: Okay, that would be
14 important to me, because I seen that in many instances
15 also, people sometimes go to their polls and see how
16 their public ratings are as a result of those things
17 rather than results. Because it was pretty obvious
18 that those are pretty egregious issues that needed to
19 be dealt with.

1 I also noticed that in the written report
2 that was submitted by the Attorney General he had five
3 suggestions. He removed one of those for the proposal
4 here, and I was wondering why his first proposal in the
5 written document submitted to the Commission was not
6 announced in his oral presentation?

7 CHAIRPERSON JAMES: For the benefit of
8 those who may not have that, would you share it?

9 COMMISSIONER LANNI: It just, and it may
10 pertain to the fact that it's purely a state issue in
11 the Commonwealth of Massachusetts.

12 The first proposal he had in writing was
13 First, lotteries cannot be responsible for regulating
14 themselves. Critical decisions including such issues
15 as game expansion, siting and advertising should be
16 closely and regularly monitored by a separate and
17 independent state agency with citizen participation and
18 input. I was just wondering why he excluded that from
19 the recommendations that he gave?

1 MS. LEE: That was a draft version of the
2 testimony. And the Attorney Dolan had reviewed it and
3 decided that that was not necessary, since we do have a
4 lottery commission.

5 COMMISSIONER LANNI: Sure. And he's
6 certainly welcome to that, but the document that was
7 presented to me indicates it's prepared testimony. So
8 the record I guess will note that that was a draft.

9 There was also a reference by the Attorney
10 General that casinos lead to increased crime. I'd be
11 very interested in knowing what factual basis, he did
12 indicate that he has opinions sometimes without
13 necessarily being based on fact?

14 MS. LEE: In 1996, he had released a report
15 on the increased cost of gambling, and I can submit
16 that to you this afternoon. Once Doug Wilkins comes
17 here I'll make sure that he brings copies of his
18 report.

19 COMMISSIONER LANNI: That would be helpful.
20 And one last question on that subject.

1 Do you know if in those studies and in that
2 particular report if it's in an area where there is a
3 fair amount of visitor population, are the determining
4 factors relative to crime based upon the population of
5 the particular area or does it take into account the
6 visitor base?

7 MS. LEE: That I would have to submit to
8 you.

9 COMMISSIONER LANNI: If you would, that
10 would be helpful.

11 And one last question, if I may, of Ms.
12 Paul. I was wondering, and possibly Dr. Clotfelter.

13 Referencing the issue of the charts, the
14 pie graphs, and charts that were represented to us,
15 there was an indication showing aspects relative to
16 income levels, gender, areas relative to ethnicity, and
17 education. That was specifically, I think, relating to
18 the state of Georgia.

19 My question is, would you find or maybe Dr.
20 Clotfelter would answer this, would you find that to be

1 generally the same in the 37 states, the District of
2 Columbia and the six Canadian provinces in which gaming
3 takes place from a lottery standpoint?

4 MS. PAUL: Well first of all, sir, it's
5 even more narrow than Georgia, it was the Atlanta metro
6 area. The reason it was narrowed to the Atlanta metro
7 area is because it was research done by the Atlanta
8 Journal Constitution, the major newspaper in the state
9 of Georgia. So they narrowed it to that arena.

10 In general, the research that I have seen
11 and this will be very, very general, the lottery
12 players primarily mirror the population of a state, if
13 ten percent of your state is Hispanic, ten percent of
14 your players will be. If ten percent of your state has
15 a household income of \$35,000 to \$45,000 a year, ten
16 percent of your players will be. If ten percent of the
17 population is between 50 and 60, ten percent of your
18 players will be. And as you look at that it will
19 pretty much mirror the population of the state with
20 three exceptions. There are three groups who generally

1 do not play the lottery. The very, very rich, the
2 very, very poor, and 18 to 22 year olds.

3 COMMISSIONER LANNI: If I may also, I'd
4 like to add a compliment to this panel. I think it was
5 excellent. I firmly believe it was well balanced, and
6 thank you for taking the time to do it.

7 And Ms. Lee thank you for filling in for
8 the Attorney General as capably as you have.

9 CHAIRPERSON JAMES: Commissioner Bible.

10 COMMISSIONER BIBLE: Ms. Paul, Dr.
11 Steinberg in his testimony indicated that when you
12 survey adolescents and I believe you're talking about
13 16 and 17 year olds, that 30 to 35 percent indicate
14 that they've played the lottery. Are there a large
15 number of disputes involving individuals that are in
16 this age group claiming prizes that they're not
17 entitled to?

18 MS. PAUL: Well, sir, each state is very
19 different, and I think Dr. Steinberg was talking about
20 specifically Connecticut. Every state requires that

1 you must be 18 to purchase a ticket except for Iowa,
2 and Iowa mandates that you be at least 21. Most states
3 allow for the gift of a lottery ticket to someone, so
4 therefore a claimant could be under the age of 18
5 without having purchased that ticket.

6 However, any problem such as adolescent
7 gaming is something that we as an industry take very
8 seriously. We have looked at what other states are
9 doing and tried to share that information.
10 Massachusetts, in relationship to some of the findings,
11 has a very aggressive program with three strikes and
12 your out at a retailer location if they sell tickets to
13 minors. And you have the chance to talk to Mr.
14 DePhillipo tomorrow about some of the things
15 Massachusetts has done in a way of addressing some of
16 those issues.

17 COMMISSIONER BIBLE: Do any jurisdictions
18 require video surveillance over the lottery issuing
19 devices?

1 MS. PAUL: Illinois, Florida and Georgia do
2 not. I am not aware of that much detail of the other
3 jurisdictions.

4 CHAIRPERSON JAMES: Any other questions
5 from Commissioners? Commissioner Moore.

6 COMMISSIONER MOORE: I would just like to
7 make the suggestion along the lines that we've already
8 heard. I think that the reason that we think that the
9 poor are targeted, I believe that President Paul says
10 that a lot of these stores, convenience stores, would
11 go under perhaps if it was not for selling lottery
12 tickets. I think that you'll have a lot of those
13 stores of that nature, and I think a lot of those
14 places will be in the poor section of town.

15 Reading about Massachusetts in the material
16 that we had, I believe that they said there were 64
17 agents as I remember in a mile and half distance. Now
18 you would be criticized if you were the one that was
19 giving these people licenses if you turned down a lot

1 of them. Because then you would be criticized for not
2 letting them be agents.

3 Another thing along these lines, you know,
4 if you want to be a little cynical and all, if a store
5 is just operating to sell lottery tickets, maybe that
6 store ought to close. But on the other hand, we can
7 take it another way, maybe we do get most of the money
8 out of the poor we'll say, or a lot of the money from
9 the poor that should not be playing.

10 But you know, I had an old friend one time
11 who said, and I think that states are taking advantage
12 of this thing, you know our forefathers came to this
13 country, they said, because that they had taxation
14 without representation. A lot of states and a lot of
15 people are realizing now that there's a lot of
16 representation there in government by those people who
17 are not paying any taxation. So it's a little in
18 reverse. In other words, if they had taxation without
19 representation, and this is a way to get some taxation
20 out of people that they claim or say do not pay much

1 tax otherwise. So I think that that is a point. I
2 think that the poor ought not necessarily be targeted,
3 but that's the way it works.

4 CHAIRPERSON JAMES: Commissioner Loescher
5 and I may have a little bit of a disagreement with you
6 on how our forefathers got here, but that's okay.
7 That's for another day.

8 Dr. Steinberg.

9 DR. STEINBERG: I'd like to make two
10 points. One is that the spread of video type gambling,
11 whether it's Keno or poker or approximation of a
12 regular slot machine, throughout a community is
13 dangerous. I think that it is clear that video slot
14 machines, or video Poker in casinos have taken over a
15 larger percent of the market, the profits and it's good
16 entertainment. However, we see an increasing number of
17 addicts, of gambling addicts who have problems with
18 those kinds of machines.

19 When New York State adopted video Keno,
20 Donald Trump for whatever his motivation, was quoted

1 extensively in the New York newspapers as saying, that
2 this was going to be very dangerous to the citizens of
3 the state. Now I couldn't understand that logically
4 because similar type games, video type games existed in
5 the casinos. But if he was talking about the
6 widespread availability of those kinds of games
7 throughout a community, I think that that is a
8 different level and it's a place that the lottery does
9 not need to go.

10 The second point I'd like to make is that I
11 have been asked, and in fact this week, will make a
12 presentation to a company in Connecticut who has asked
13 me to talk to their managers of various convenience
14 stores, because the managers are very concerned that
15 their employees are developing gambling problems.
16 Partly because of proximity to casinos, but even more
17 so because they are developing problems with lottery
18 problems because of the accessibility to the lottery
19 terminals themselves.

1 Now that's just an objective statement, I
2 haven't met with those folks yet. But there is concern
3 about the lottery that's increasing that I didn't hear
4 before, as the games proliferate I think we're going to
5 a new level.

6 CHAIRPERSON JAMES: Thank you. Any other
7 questions for this panel?

8 It has been a very engaging conversation.
9 I think it's been very instructive and I would like to
10 thank the panel members for their participation. I'm
11 sure that as you leave this morning you may think of
12 other data that may be helpful to this Commission. And
13 I would ask that you feel the freedom throughout the
14 entire existence of this Commission to continue to
15 submit information, research and data that you think we
16 should consider as we look at these important issues.

17 And I do want to thank you for your
18 participation and for how you have contributed to the
19 public debate on this very important subject.

1 With that, I'd like to, before we move or
2 break for lunch, to let the Commission and the audience
3 know that we have a couple of pieces of business that
4 we need to take care of concerning contracts and
5 concerning RFPs which are confidential in nature. And
6 under advice of counsel that should be done in a closed
7 session because you just don't discuss contracts and
8 RFPs in open public session. And so, I'd be happy to
9 entertain a motion from someone at this point that the
10 Commission move into a closed session to discuss those
11 issues and those issues only.

12 COMMISSIONER McCARTHY: Moved.

13 CHAIRPERSON JAMES: Thank you. Can I get a
14 second.

15 COMMISSIONER LEONE: Second.

16 CHAIRPERSON JAMES: All in favor.

17 COMMISSIONERS: Aye.

18 CHAIRPERSON JAMES: I anticipate that the
19 ayes have it. I would anticipate that the closed
20 session would last no more than an hour. And that the

1 Commission would come back and reconvene as scheduled
2 at 1:30 p.m. So with that in mind, I would like to
3 thank you for your participation and we'll see you back
4 here at 1:30 p.m.

5 Yes?

6 COMMISSIONER DOBSON: Madame Chairman--

7 CHAIRPERSON JAMES: One minute before we
8 leave. Commissioner Dobson.

9 COMMISSIONER DOBSON: I'd like to apologize
10 to my fellow commissioners and to the Chair, I did not
11 know that there was going to be a working lunch, and we
12 were invited to visit the Boston Rescue Mission at
13 lunch today, and so I will not be able to attend this
14 closed session.

15 CHAIRPERSON JAMES: Okay.

16 COMMISSIONER DOBSON: I wanted to explain
17 my absence.

18 CHAIRPERSON JAMES: Thank you. Thank you
19 very much. We're going to take about a five minute

1 break and then once the room is cleared, we will
2 reconvene then for our closed session.

3 (Whereupon, at 12:15 p.m., the public
4 session was adjourned and the Commission went into
5 executive session)