

1 **MR. MICHAEL BELLETIRE, ADMINISTRATOR, ILLINOIS GAMING BOARD**

2
3 CHAIRMAN JAMES: It's my pleasure to welcome Mr.
4 Belletire, again administrator of the Illinois Gaming Board. Mr.
5 Belletire, thank you again, and your staff, particularly Susan
6 Weber for all of your help in pulling together all the logistics
7 for this particular meeting and for finding us meeting space
8 during one of the biggest convention weeks of the year. We are
9 very grateful to you for that. We're anxious to hear your
10 remarks.

11 MR. BELLETIRE: Thank you, Chairman James, Director
12 Kennedy, members of the Commission. We're glad to have you here
13 in the great state of Illinois and in the city of Chicago and in
14 the building they call star ship Illinois. The introductory
15 portion of my remarks give you a little bit of a background on
16 the make up of our regulatory structure, the board I serve for.
17 I'll pass through those, and I will say that I've attempted to
18 include in my remarks this morning much more of a Midwestern
19 perspective than a single state perspective, though I'll borrow
20 liberally from our direct examples.

21 Generally the Midwestern states have only cautiously
22 embraced legalized casino style gambling. Illinois, Michigan and
23 Indiana each limit by statute the number of operating licenses
24 allowed. Iowa and Missouri administratively determine the number
25 of licensed operations, though Iowa's legislature, as has been
26 pointed out, has recently enacted a five year moratorium.

27 In addition to restricting the number of operating
28 licenses, the Midwestern states have also placed various
29 limitations on the conditions under which gambling takes place.

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1 As you've heard today, there are nuances of difference between
2 Illinois and the sister states of Missouri and Indiana, yet all
3 require casino style gambling to be conducted on riverboats. In
4 general, whether those boats navigate or not, access is limited
5 to prescribed entry times.

6 Iowa imposes fewer restrictions on entry times and in
7 addition to riverboats, as you've heard, allows electronic gaming
8 devices at its dog and horse race tracks. Missouri, by statute,
9 imposes a \$500 per cruise loss limit, while Illinois restricts
10 the number of gaming positions that each of its operations may
11 have.

12 Each of the Midwestern states imposes significant
13 taxes on admissions and gaming revenues. The level of taxation
14 varies somewhat from state to state, but in the aggregate the
15 effective tax rates across the Midwest states, when adding in
16 locally imposed taxes, ranges from 25 to 35 percent of gaming
17 revenues or casino win. This level of taxation is of course far
18 greater than that imposed by the three largest casino gaming
19 jurisdictions, Nevada and New Jersey and Mississippi.

20 One of the topics this panel was asked to discuss
21 with you is to the extent to which competition between the states
22 for the gambling dollars has resulted in state policies that are
23 reactions to what other jurisdictions do. The question was put
24 to us this way. Has competition lead to a race to the bottom in
25 terms of regulation? The answer to that question is a firm and
26 solid no.

27 If there is a race between our Midwest states, it is
28 not a sprint, not even a mile run, but more a marathon. It has
29 been eight years since Iowa and Illinois have authorized

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1 riverboat casinos and almost six since Missouri and Indiana
2 followed suit. Since that initial authorization of riverboat
3 casinos in these states, there have only been a few significant
4 changes that have served to liberalize the regulatory and policy
5 approach to gambling in the Midwest.

6 The two most consequential changes occurred in 1994.
7 Iowa's legislature did act as the representative state to
8 eliminate loss limits and eliminate most access limitations,
9 while at the same time permitting EGDs (electronic gambling
10 devices) in horse race and dog tracks. Also in 1994 Missouri's
11 voters approved a constitutional amendment that authoritatively,
12 at least some thought, settled the question of whether the
13 existing riverboat casinos could have EGDs in addition to the
14 table games already being offered.

15 The third development in the Midwest was in 1996 when
16 Michigan joined the ranks of the Midwestern states authorizing
17 casino style gambling as voters in Michigan approved an
18 initiative for three casinos in Detroit. There's no doubt that
19 each of these three measures came about in part as a result of
20 competitive factors. However, there's been no rush for the
21 states to leap frog one another in changing policy. That is not
22 to say that there haven't been voices for change.

23 For several years running, operators in Illinois and
24 Missouri have cried out, level the playing field, seeking an end
25 to cruising and boarding requirements in Illinois and Missouri
26 and an end to loss limits in Missouri. Each of these matters may
27 eventually become law but in general the legislatures in the
28 Midwest have shown little appetite for abrupt change or even fine

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1 tuning the broad conditions under which limited scale casino
2 gambling operates.

3 At the administrative level and by that I mean the
4 work of my Board and our counterpart agencies in other states,
5 there have been some measures taken that serve to liberalize the
6 conditions which afford access. The changes, however, have not
7 altered the fundamental frame work of tight controls and limited
8 licensure. In Missouri and Iowa, for example, there are no
9 limits on the number of operating licenses that can be awarded,
10 but no new licenses have been awarded in the past three years and
11 both states have rebuffed prospective applicants.

12 The Indiana Commission which has legislative
13 authority to grant one additional license has yet to do so and
14 shows no signs of acting soon. If there is a common theme to
15 Midwestern regulation of gambling, it is not competition but
16 cooperation. Our agency and its sister agencies in Iowa,
17 Missouri, Indiana and Michigan have adopted what I consider to be
18 a model of inter-governmental collaboration and cooperation. The
19 cooperation has been manifested in a number of ways, ranging from
20 training to the sharing of rules and regulations to joint or
21 coordinated investigations.

22 If my Indiana counterpart were before you today, I
23 believe he would tell you that the opening of riverboat casinos
24 in Indiana went smoothly and expeditiously, partly as a result of
25 the assistance of the Illinois Gaming Board.

26 It is standard operating procedure for each of the
27 Midwestern regulatory agencies to share background information
28 and to examine carefully the implications of adverse actions
29 taken by another jurisdiction. There is a fundamental

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1 recognition on the part of the Midwestern state regulators that
2 we rise and fall with one another when it comes to effective and
3 tight control of casino gambling.

4 We've been asked to comment today also on whether or
5 not state officials balance the desire for revenues from casino
6 gambling with the responsibility to protect the public interest.
7 In my judgment, the Midwest regulatory agencies do not find this
8 a difficult task. The Illinois Gaming Board and its counterparts
9 exert firm and consistent controls of the conduct of gambling and
10 over those involved in the gambling operations. The record shows
11 their actions have been based on the public interest, and pardon
12 the play on words, when it comes to revenues they let the chips
13 fall where they may.

14 To an extent our Midwestern experience differs
15 somewhat from that of other regulatory approach, New Jersey, for
16 example, over the past few years has engaged in a concerted de-
17 regulation effort, oriented in part by bolstering the attraction
18 and profitability of the industry. There has been no such
19 similar effort here.

20 It needs to be understood, however, that Illinois and
21 other Midwestern states shape the regulatory climate with the
22 benefit of assessing the strengths and weaknesses of New Jersey
23 and Nevada. I think those in the industry would agree that in
24 the Midwest our approach is somewhat less onerous than the
25 historic New Jersey approach and more restrictive than the Nevada
26 approach.

27 The Board I work for sees itself first and foremost
28 as a regulatory body. Board members are cognizant, however, of
29 the provisions of the riverboat gambling act that call for

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1 licenses be awarded in a manner that encourages economic
2 development and revenue generation. Our board does not hesitate
3 to act in the public interest. They have rejected measures, even
4 though gaming revenues and hence, state taxes would increase.

5 I could cite a number of examples but let me give you
6 one. Two years ago our board was asked to authorize the use of
7 so called wide area progressive slot machines. Simply speaking,
8 these systems link slots across several casinos. The progressive
9 feature of these machines build very large prize pools with a
10 single player eventually winning \$1 million or more. Our board
11 rejected these inter-linked casino systems for a number of
12 reasons. One was the discomfort with the implied get rich quick
13 award of the mega systems. As the chairman of our board noted,
14 the industry has consistently represented itself as offering
15 entertainment and the message that you should gamble to strike it
16 rich seems somewhat out of harmony with the entertainment
17 concept.

18 None of this is to say that there is not a strong
19 sense of competition within the casino industry itself. Of
20 course, there is. Our Illinois operators compete with one
21 another as well as those in bordering jurisdictions.

22 Though there's an exceptionally high level of
23 cooperation among our Midwest regulators, each of these
24 regulatory agencies approaches policy questions differently. In
25 the main, Midwest regulators and public officials have been far
26 less oriented towards what could be seen as cultivating an
27 industry than have public officials in Mississippi, New Jersey
28 and Nevada. Part of the explanation for this lies in the
29 differences in overall approach to casino gambling.

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1 Our act, and to an extent the frame work for casinos
2 in Iowa, Missouri and Indiana encourages a dispersion of a
3 limited number of licenses across the state. In New Jersey and
4 Mississippi the opposite is true; there is, there has been a
5 policy determination in these states to concentrate casinos in
6 cluster like settings. The latter choice tends to breed a more
7 urgent sense of managing development and investment and a close
8 relationship between regulators in the industry.

9 My personal view of the experiment with casino
10 gambling in the Midwest states has been generally positive.
11 Those seeking to be operators have been subjected to rigorous
12 scrutiny. Safe and popular attractions have been built with
13 meaningful capital investment. New jobs with decent wages and
14 fringe benefits have been created. Local communities hosting
15 riverboat casinos have in the main benefited from the experience
16 with new revenues and infrastructure and in some instances, a new
17 sense of optimism about their economic future. The experience
18 has not been uniformly positive.

19 What some saw as an economic renaissance for aging
20 river towns has generally not materialized. There is little
21 evidence that the riverboat casinos have fostered a positive
22 retail ripple effect in their immediate vicinity. In general,
23 there has been no increase in crime in riverboat communities, but
24 it cannot be said that the propensity to gamble in excess has not
25 lead to tragic consequences for some, albeit I would observe a
26 relatively small number of individuals.

27 Overall I would observe that riverboat gambling in
28 the heartland has not been as detrimental or as malignant to
29 social fabric as its critics contend or as important or as benign

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1 as the industry makes it out to be. The answers are not all in
2 and the experience is an evolving one.

3 There are issues left to wrestle with, though I
4 believe those issues can best be resolved in the state capitols
5 and not in Washington. As you go about your work I encourage you
6 to make a distinction in what can be called the regulation of
7 gambling. From an administrative perspective my board and its
8 Midwest counterparts are primarily regulating the conduct and
9 ownership of casino style gambling. They are not, in the main,
10 regulating gamblers.

11 Regulating the decisions or the dysfunctional
12 behavior of those who gamble is not, I submit, an administrative
13 matter but a political and philosophical matter. The choice made
14 by the Illinois General Assembly to limit patron access to
15 casinos in Illinois is essentially a political decision to
16 regulate gamblers by making it more difficult to gamble as a spur
17 of the moment decision.

18 Other states have made different choices about
19 access. Yet despite allowing differing levels of access, the
20 various states have developed effective regulation over the
21 conduct of the business of gambling. When you look at the
22 political or philosophical issue of controlling gamblers, you
23 take on a much more difficult task. As has been the experience
24 with alcohol, it is far easier to regulate the manufacture,
25 distribution and dispensation of alcohol than it is to control
26 the behavior of the consumer.

27 In our nation's history we've been at the extremes
28 with alcohol, from the unregulated to prohibition, and we appear
29 to have found the value of the middle ground. If there's a

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1 lesson with the experience with alcohol it may be that the
2 industry itself holds the key to maintaining an equilibrium.
3 Over the long term, consumer behavior will be shaped by industry
4 practice and measured by visible social consequences, the
5 criminal justice system and the tort system.

6 As is often the case, government policy will likely
7 be derived as a reaction to an imbalance in the equilibrium. I
8 don't believe it's necessary for this Commission to establish
9 conclusively which point of view expressed in dueling and
10 directly contradictory studies are, quote, "correct,"
11 particularly when the motivation for those studies is to send a
12 message about the acceptability or the unacceptability of
13 gambling.

14 Theoretical or even real but anecdotal information
15 about the ill effects of gambling should not be a basis for
16 sweeping policy change. Such information, however, should serve
17 as fair warning to those in the gaming industry that they should
18 take care in cultivating their future. For the present, as I
19 believe our Illinois experience shows, there's a consensus that
20 we have properly regulated the conduct of riverboat casino
21 gambling and avoided creating an environment in which the
22 unintended or undesired elements of the new business offset its
23 benefits. Thank you.

24 CHAIRMAN JAMES: Thank you, Mr. Belletire.

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