CHAIRPERSON JAMES: Chapter 3, Gambling Regulation.

The first one I think in the package is yours, Jim?

COMMISSIONER DOBSON: Page 10, paragraph two, first full paragraph, line No. 5 where it says, "Nevada offers sports wagering through casino sports books and Oregon runs a state lottery based on games played in the National Football League."

I’m suggesting that we add a sentence after National Football League that says, "Nevada prohibits the placing of wagers on teams from within the state in an attempt to protect the integrity of contests involving such teams." This is just a clarification there of what we’ve talked about.

CHAIRPERSON JAMES: So Jim, are you moving that?

COMMISSIONER DOBSON: I’m sorry, Madam Chair. That’s why I’m reading it.

CHAIRPERSON JAMES: Is there a second?

COMMISSIONER McCARTHY: I’ll second.

CHAIRPERSON JAMES: It has been seconded. Discussion?

COMMISSIONER McCARTHY: The real purpose of the regulation is not to protect the integrity of the contests involving such teams, but to avoid any impropriety where Nevada teams are involved.

COMMISSIONER DOBSON: Impropriety or appearance?

COMMISSIONER McCARTHY: Appearance of impropriety.

CHAIRPERSON JAMES: To avoid the -- I’m sorry, so in an attempt to --

COMMISSIONER McCARTHY: To avoid any hint of impropriety where Nevada teams are involved.

COMMISSIONER DOBSON: Also to protect the integrity of the contest?
COMMISSIONER McCARTHY: The reason for adopting it was
to avoid the appearance of impropriety.

CHAIRPERSON JAMES: How about to avoid any hints of
impropriety and to protect the integrity?

COMMISSIONER DOBSON: That would be find.

CHAIRPERSON JAMES: I heard the question called. All
in favor? Any opposed? Any abstentions? Okay, the next one?

COMMISSIONER DOBSON: The next one’s on page 11, and I
withdraw it. My next one’s on page 17. I don’t know what’s in
between.

CHAIRPERSON JAMES: We’re just going straight through.
We’re just going as they come up, so that’s page 17?

COMMISSIONER DOBSON: Seventeen, fourth paragraph, line
two, right below the heading that says, "Is the ban of internet
gambling regulation." I simply want us to remove the word
alleged, which in the second line down in that paragraph, second
from the end.

CHAIRPERSON JAMES: It has been moved. Is there a
second? Question? All in favor? Any opposed? Any abstentions?
The next one up is Gambling Regulation, rename the section and
make the changes described below. Whose page is this?

COMMISSIONER LEONE: That’s all done. That’s the
convenience gambling.

CHAIRPERSON JAMES: That’s all there is there, so we’re
moving over to the supplemental. Is there anything else? No, we
have Commissioner Leone, the last page. Chapter 3, Gambling
Regulation, last page. That’s the lottery language.

COMMISSIONER LEONE: I withdraw that.

CHAIRPERSON JAMES: So now we’re over to supplement,
Chapter 3, Gambling Regulation. It looks like this.

COMMISSIONER LANNI: Page No. 1, line 33 and 34 beginning with the -- I have the page right here. Beginning, "Casinos is readily apparent that the high volumes of cash provide unparalleled opportunities for laundering of money obtained from illegal sources." I am proposing language which is on the next page, third page of this. Because of the volume of cash transactions involved in casino gambling, and in order to minimize any resulting potential for money laundering, casinos must comply with special requirements regarding the recording of these transactions. For example, with the addition of the -- that would be my motion.

CHAIRPERSON JAMES: It has been moved and seconded.

COMMISSIONER LANNI: The aspect of casinos of Nevada operating under an exception called Reg 6, Title 31 is enforced in other jurisdictions as part of the Bank Secrecy Act, since casinos are part of that, and I think that this is more appropriate, and a statement of the facts that exist relative to casinos.

COMMISSIONER BIBLE: I think, Terry, you may want to delete the word special, because they’re not special requirements for casinos. They apply to financial institutions in general.

CHAIRPERSON JAMES: Would you be willing to accept the deletion of special?

COMMISSIONER LANNI: I would. Are you ready for the question? All in favor? Any opposed? Any abstentions? The ayes have it. Next one?

COMMISSIONER LANNI: Page one and two, this is page one and two, starting with line No. 33, line two on page two. The current language is, "However effective regulation, coupled with
the takeover of much of the industry by public corporations has all but eliminated organized crime direct ownership and operation of the large majority of casinos. Such activity as remains appears to have an inverse relationship with public scrutiny. That is, the less the regulatory attention devoted to areas such as the ancillary services provided casinos by independent organizations, the more easily organized crime can gain a footing."

I propose revised language of, "However effective regulation, coupled with the takeover of much of the industry by public corporations has eliminated organized crime from the ownership and operation of casinos."

CHAIRPERSON JAMES: It’s seconded. Discussion?

COMMISSIONER BIBLE: I would feel better about it if the word appears to have eliminated organized crime than to --

COMMISSIONER LANNI: I appreciate, Jim, your thoughts on that, but I would agree with Bill that we’ve had no testimony whatsoever that gives any hint that there is any organized crime. Considering the licensing process that I and my fellow executives and other people have to go through in different jurisdictions, I just wouldn’t feel comfortable leaving this on the record. I’d be pleased to show you the 85-page forms disclosing every aspect of my personal life, any relationships that I have, financial standpoint, all of my checks. If any one of you would like to go through that process, I’d encourage you to join me in going through it. I didn’t enjoy it.

COMMISSIONER BIBLE: I think the one thing that we have not discussed to any extent within this commission is organized crime. Our predecessor commission in the 1970s did considerable
testimony on organized crime. I think it would be unfair at this point to stick that in if we don’t have any evidence.

COMMISSIONER DOBSON: Let me ask a question, Terry, especially with reference to what you just said. You obviously don’t represent all casinos, and they are all over the United States, and there are many different management structures and many different settings. So what you say about yourself may not be true of everybody else, and this is a blanket statement that I also don’t believe we have enough evidence to state.

COMMISSIONER WILHELM: This is, perhaps, a subject on which those of us who’ve been involved in some fashion in the gambling industry could be accused of being oversensitive; but I believe that not only is the record absent any evidence of this, but contrary, the record contains a substantial amount of testimony to the effect that this problem has, in fact, been eliminated from the industry.

I can -- Terry has spoken of this experience in terms of licensing, and Terry’s experience -- his company’s experiences in multiple jurisdictions, not just in Nevada.

And I would also say from the point of view of a union representative that similar requirements are placed on our union, I believe appropriately so. Nevada instituted a requirement of this kind in the last dozen years or so, and New Jersey has had them for many years with respect to unions. I would respectfully submit that if, indeed, there were problems of this kind in this industry, that we would heard about it in the course of everyone’s fine-tooth comb efforts to find stuff to discuss with this Commission.

COMMISSIONER DOBSON: Madame Chair, I would like to
issue my suggestion as a substitute motion or an amendment to the

--

CHAIRWOMAN JAMES: Would you accept that as a friendly amendment? No?

COMMISSIONER DOBSON: We haven’t heard it, have we?

Oh, "apparently."

CHAIRWOMAN JAMES: Apparently.

COMMISSIONER DOBSON: Yes. "Appears to have eliminated organized crime."

COMMISSIONER WILHELM: I couldn’t accept that as a friendly amendment.

COMMISSIONER LEONE: Okay. Then could I make a suggestion?

CHAIRWOMAN JAMES: Uh-huh.

COMMISSIONER LEONE: Because I -- I think it is -- it is -- we probably could all agree that the evidence presented for this Commission indicates that organized crime is not a factor, or whatever the appropriate wording. Maybe if we went to that language, we could state --

COMMISSIONER WILHELM: Respectfully, Richard, we haven’t done that on a host of things. We’ve got a host of things upon which records have been submitted here that we have said it’s true.

CHAIRWOMAN JAMES: Commissioner McCarthy.

COMMISSIONER MCCARTHY: I’d like to suggest the language.

I’m satisfied that Nevada and other states, that in testimony we took, that have a thorough regulatory scheme and a significant number of statutes that address this issue, but have
documented organizes crime in casinos we’re talking about. There are obviously problems to be given to convenience gambling and some other.

The one point that I think that Jim made is that I don’t know about every state. I don’t -- you know, I -- I do know that all the states that Nevada here brought together, and that were represented -- they appear to me to have done a good job ruling out and preventing a reoccurrence of organized crime.

So, I guess part of this discussion, Terry, is that maybe there are some states out there that don’t try to do a good job -- as some other states so. I just don’t have any information.

COMMISSIONER BIBLE: This language runs just to casinos?

COMMISSIONER LANNI: Right. No, I got that.

COMMISSIONER BIBLE: Okay.

COMMISSIONER MCCARTHY: Bill, let me hear from you. You’re more of a state regulator, aren’t you? Are you satisfied that every state in the country does the kind of strict regulation that Nevada does to prevent the participation of organized crime?

COMMISSIONER BIBLE: In terms of casinos, yes. I do think there -- there may be some problems in some jurisdictions in certain operations of the convenience operations. There have been instances in the last couple of years. For instance, Louisiana -- activities involving the manufacture of -- on a casino.

COMMISSIONER MCCARTHY: So, your feeling is there is no threat of organized crime elements being participants in any state’s casino operation, wherever casinos are allowed.

COMMISSIONER BIBLE: Where the states regulate the
casinos. Yes. Where the states regulate the casinos.

CHAIRWOMAN JAMES: Terry.

COMMISSIONER LANNI: Well, I was just going to say, I think if you take a look at all states we’ve noted that it’s, "However, effective regulation, coupled with the takeover of much of the industry by public corporations." Really, you’re talking about the fact that it’s got a major effect.

CHAIRWOMAN JAMES: You know, I think there was an attempt here to say something positive about the industry, but without making a blanket statement that some Commissioners just were not prepared to make in terms of all states. I don’t know if there is a way to get to that, because I think there was a great deal of -- of surprise on behalf of some Commissioners that as we got into this discussion to discover that, boy, the industry was as clean as it was. And there needs to be some attempt to say that, but without making a blanket statement that in every state that is in fact the case. Is there a way to get at that?

COMMISSIONER LANNI: Again, with the proper respect, I think that as John mentioned -- as Bill Bible mentioned, there’s clearly not one scintilla of evidence that came before this Commission, any report, any entity, any individual, indicating that there was any effect of organized crime on any casino operation in any state.

COMMISSIONER DOBSON: Madame Chair, I’d like to go back to what Richard said. Starting a statement with that affirmation that this -- this Commission heard no testimony alleging the involvement of organized crime. Richard, I’m not sure how you phrased it, but it seemed to be a step in the right direction to me.
COMMISSIONER LEONE: I guess I don’t know exactly how to phrase it. And I understand John’s -- the force of John’s point that we make assertions sometimes without reference to the record, although he’s also been insisting that we refer back to the record. I’ll be candid. I mean, as no expert in this area, I would be more comfortable affirming the fact that all the evidence presented before us was that the casinos today, because of effective regulation and the increasing public ownership of such entities, don’t have an organized crime involved, are free of organized crime. I would be comfortable in saying that that’s the truth about the experience I’ve had on what I’ve learned from this Commission.

I -- because of the sensitivity in this area, I’m less comfortable. And I’ve said publicly that one of the things that I was wrong about, the proposed interruption of casino gambling in New Jersey. But when I proposed it, it was that it would inevitably lead to organized crime. I was wrong about that, although inevitable is a long time. It’s so far. And I would be comfortable in saying that the -- all of the evidence presented before this Committee fits that. I just -- I, you know, it’s -- it may be correct to say that I’m being inconsistent here, but I’m not comfortable with the assertion without saying that it’s based on the evidence presented to the Commission. I agree that -- I mean, I know that’s redundant, but I’m just being honest.

CHAIRWOMAN JAMES: Could someone help -- help me to --

COMMISSIONER WILHELM: Do you think we could restate it?

CHAIRWOMAN JAMES: Can you do that, Richard?
COMMISSIONER LEONE: Well, I think it’s true that all the evidence presented before this Commission indicates that casino gambling in the United States today, because of effective regulation and recently its status as a public corporate entity -- that’s grammatically wrong. It’s public corporate entities. History of organized crime. I think that could be easily re-worked as a smoother sentence.

CHAIRWOMAN JAMES: Let me tell you what I have an issue with, and someone help me here. I thought we heard testimony in Atlantic City that in some of the ancillary activities, that they had to pull or not grant contracts because of some concerns.

COMMISSIONER WILHELM: Oh, I think it’s true in many jurisdictions that individuals who applied for licenses, for vendor licenses, are denied licenses, just as individuals who apply for casino licenses have.

CHAIRWOMAN JAMES: So, I think what we can say, then, that the system is working.

COMMISSIONER LEONE: This -- at least as Terry proposes, limited to the ownership and operation of casinos. This is -- ancillary. But I was just -- you’re right. I’m not referring to the ancillary industries, but in states like New Jersey and Nevada there are requirements.

COMMISSIONER BIBLE: How about a statement along the lines of, "All the evidence presented to the Commission indicates that effective regulation, coupled with the takeover of much of the industry by public corporations of much of the industry by public corporations, has eliminated the organized crime in the ownership and operation of casinos."

COMMISSIONER LANNI: I would accept that.
COMMISSIONER LEONE: It works for me.

COMMISSIONER MOORE: That doesn’t leave room for what we don’t know in the other jurisdictions.

CHAIRWOMAN JAMES: It says all the evidence to the Commission. So, we’re not talking about what we don’t know.

Call for question?

All in favor -- all in favor?

Any opposed?

Any abstentions?

COMMISSIONER WILHELM: Abstain. Could you read that one more time, please?

COMMISSIONER BIBLE: "All of the evidence presented to the Commission indicates that effective regulation, coupled with the takeover of much of the industry by public corporations has eliminated organized crime in the ownership and operation of casinos."

COMMISSIONER MCCARTHY: I’d like that to be "effective state regulations."

COMMISSIONER BIBLE: Effective state regulations.

COMMISSIONER LANNI: And that eliminates and accepts as well the ancillary?

COMMISSIONER BIBLE: Yes.

COMMISSIONER WILHELM: I abstain on the grounds that I think that we’re applying a double standard here, and for that reason I find the compromise offensive.

CHAIRWOMAN JAMES: Okay.

COMMISSIONER LANNI: The next would be page number two, beginning with line number 17, which reads:

"However, the record of most jurisdictions in this
regard has been less than exemplary."

And -- ahead of that, before that, to see what it’s in regard. I’ll start from the beginning.

"This basic responsibility is to adequately met, government decisions regarding the introduction and regulation of legalized gambling would best be made according to a well defined public policy, one formulated with specific goals and limits involved. However, the record of most jurisdictions in this regard has been less than exemplary."

I am proposing that we delete all of this language and insert the following sentence to serve as a transition between the first sentence of the second paragraph, and the second sentence of the third paragraph.

"One difficulty in formulating sound public policy on gambling is."

That’s -- that’s.

CHAIRWOMAN JAMES: Oh. Is there a second?

COMMISSIONER LANNI: It’s page two, the second full paragraph under "Gambling and" -- the second paragraph under "Gambling and the Public Interest."

CHAIRWOMAN JAMES: And Terry, on the second paragraph, line --

COMMISSIONER LANNI: Well, it’s line three. I’m sorry. However, you need to read the next section because that’s what -- "however", which leads to it.

CHAIRWOMAN JAMES: Uh-huh.

COMMISSIONER LANNI: "This basic responsibility."
CHAIRWOMAN JAMES: Uh-huh.

COMMISSIONER LANNI: I think it’s best if you read to get the context of it, beginning at the full paragraph, "If this basic responsibility."

The simple purpose is here -- we’re basically saying in here that people are going out and doing these things, the governments are, without any review. There’s no plan whatsoever. I think there’s plenty of information that’s available that states have confirmed -- conformed their decisions to an overall plan. I use, for example, Colorado as a notation here.

COMMISSIONER DOBSON: Chairman, I have problems with this one, too, related to our many conversations about chasing behavior by officials who are motivated to jump into this arena because of the money that’s flowing to other states. Our entire discussion of a need for a moratorium was because gambling has spread so rapidly that we haven’t had time to think. We talk about stepping back and taking a deep breath and looking at what’s occurred before preceding. I think this paragraph that’s being deleted here is well reasoned and based on the sentiment that we’ve expressed a number of times.

COMMISSIONER LANNI: I think the issue, though, has not to do with the cause of the moratorium. To say that governments have established a variety of regulatory structures is not to say that they have been guided by a coherent gambling policy, or even that those making the concessions have had a clear idea of the larger public purpose they wish to promote. I just don’t think we’ve had the testimony before us that can be so inclusive to determine that every entity or that the majority of entities that made that kind of a determination.
COMMISSIONER LEONE: Well, my experience with the entities -- I deal with all of the states that have gone through legalization. Typically, when they did typically come to Nevada, they would take a look at not only our regulatory stature, but where gambling was placed, the types of gambling that was offered. And similarly, in New Jersey, as we pointed out, their process of making a policy procedure. But what you’re complaining about is the policy decision, not the process. The process, at least from my perspective, states went into willingly, they went into it well informed, and they made very conscious decisions as to how they were going to handle gambling. People from Mississippi came out to Nevada. We dealt fairly extensive with them as they went through the process of considering legalization. They tailored with Nevada’s and New Jersey’s regulations, particularly Nevada’s regulations.

COMMISSIONER LANNI: You know, I don’t think this is the focus, only on the state levels. I think this is about the general development of gambling activities of the states as a matter of public policy. And I think that if that were clarified, it would be clearer. It would be -- it would make clearer that the -- when -- as states had games, gambling, or different games to their lotteries, and then add keno machines and convenience gambling and casinos. Some overall, well thought out strategy about how gambling fits into the overall society and what are the costs and benefits. I think that conclusion is relatively undeniable about the way many states have approached this.

I think Bill -- I’m sure Bill’s right that when they decide to make the step to develop casinos they go and look at the models available. And one other thing, there’s a whole set of
casinos, around 200 and something, that have grown up without
states making coherent decisions about how they were going to
operate with Indian -- with casinos on tribal lands.

COMMISSIONER LEONE: Well, that wouldn’t be correct,
because most of the tribal gaming is operated under a compact with
the governor’s office. In a lot of cases, the legislature is
involved in that compact process.

COMMISSIONER DOBSON: The best example of a state that
has slid into major gambling activity without proper forethought,
in my view, and I think we’ve had testimony to this effect, is
South Carolina, where video poker machines are again showing up
because of the loophole in the law. And now they have them
everywhere. What, 30,000 machines or some such number. That, to
me, is an example of a lack of coherent thought.

COMMISSIONER LANNI: I wouldn’t disagree with that
being an example of less than coherent thought. But if you read
the language in the proposed text as it is now, it says, "However,
the record of most jurisdictions in this regard has been less than
exemplary." I don’t think one can take -- it’s my turn to attack
South Carolina, since I -- your home state. I mean, I don’t think
we should take South Carolina and then apply that to other states
that have legalized forms of gaming or gambling. I think it’s
just way to widespread at the state level. It’s not well founded.

COMMISSIONER MCCARTHY: I think it’s -- my impression
of all the testimony that we received in the last 20 months, and
of a lot that I have read, it is reflected in this language that a
lot of growth is more the product, incremental, a disconnect in
decisions.

COMMISSIONER LANNI: When you say you’re not bothered
by the language, Leo, are you talking about the original language or the motion?

COMMISSIONER MCCARTHY: The original language.

CHAIRWOMAN JAMES: Okay. Dick, are you making a suggestion about --

COMMISSIONER LEONE: His suggestion.

COMMISSIONER MCCARTHY: Well, let me make sure I understand what's going on here. You want to move from starting with, "However the record of most jurisdictions," et cetera. You want to delete that down to where? Delete all of this language, all of the language, what?

COMMISSIONER LANNI: All of the language to the next paragraph.

COMMISSIONER MCCARTHY: How can there be one such factor as the existence of all the decision makers, federal, state -- all have a state gambling policy.

How can that statement be -- do we have some reason to believe that they weren't cooperating together on reasonable plans, on jurisdictional approaches, cross-state approaches, coordinate with federal regulators -- people at some region to work on strategies about the -- that seems to be a simple observation.

I'm trying to narrow it to what it is that's the problem.

COMMISSIONER LANNI: Well, what bothers me is that, "However, the record of most jurisdictions in this regard has been less than exemplary."

CHAIRWOMAN JAMES: With that, let's be clear that we're all looking at the same thing. From, "However, the record of most
jurisdictions," all the way down to, "is far more the exception than the rule." Does everybody have that piece? Terry is recommending that we delete all of that and insert --

COMMISSIONER LEONE: I don’t -- that wasn’t my understanding. I thought he --

CHAIRWOMAN JAMES: Is that correct, Terry?

COMMISSIONER LEONE: I thought he was suggesting we delete not down through, "more the exception than the rule," but rather through, "one such factor is." Am I wrong, Terry?

COMMISSIONER LANNI: No, you’re right.

CHAIRWOMAN JAMES: So that -- that sentence stays?

COMMISSIONER LEONE: That sentence is supposed to stay.

COMMISSIONER LANNI: You’re right.

COMMISSIONER DOBSON: Madame Chair, may I offer an amendment?

COMMISSIONER LEONE: And again, Terry, as I -- I was just reading what you have written here. You propose a new beginning to that sentence which will say, "One difficulty in forming a public policy on gambling is the existence of multiple decision makers, et cetera."

COMMISSIONER LANNI: Right. That’s correct.

COMMISSIONER LEONE: That piece will stand. It does, and I was wrong.

CHAIRWOMAN JAMES: Okay. So, you’re --

COMMISSIONER DOBSON: May I offer an amendment?

CHAIRWOMAN JAMES: Well, wait a minute, let me make sure that we’ve got that. So, you’re only offering not a deletion of that entire piece, but simply putting in "one difficulty." That makes a big difference.
COMMISSIONER LANNI: That’s correct. I’m sorry. I misread it.

COMMISSIONER LEONE: Well, he’s still deleting, "Although" --

CHAIRWOMAN JAMES: Right.

COMMISSIONER DOBSON: Madame Chair, I think I --

CHAIRWOMAN JAMES: Okay. Thanks.

COMMISSIONER DOBSON: What if we eliminated one sentence, "However, the record of most jurisdictions in this regard has been less than exemplary," and leave everything else just like it is?

COMMISSIONER LANNI: We can even -- we can even -- I’d even go so far as to say -- we could eliminate that sentence and change the next one to read, "While governments have established a variety of regulatory structures -- most of them have been guided by comparing gambling policy." I think that --

COMMISSIONER DOBSON: I make that as a motion.

CHAIRWOMAN JAMES: Certainly.

COMMISSIONER LEONE: I would accept that. Second that.

CHAIRWOMAN JAMES: It has been moved and seconded. Are you ready for the question?

All in favor?

Any opposed?

Any abstentions?

COMMISSIONER LANNI: Page four, number five and six have to do with the changes that we talked about a little bit before. "In 1995 the Bank Secrecy Act was amended to include casinos." In reality, the reason I would want new language is that in that same time they included a number of other entities.
So, "In '85, the Bank Secrecy Act was amended to included casinos, used car dealers, money transfer services, and a number of other cash-intensive businesses and a list of financial institutions, subject to special requirements, in a desire to percent money laundering. One of the things the Act requires is casinos to report each deposit and time of withdrawal."

CHAIRWOMAN JAMES: Is there a second with that?

COMMISSIONER LEONE: Second.

CHAIRWOMAN JAMES: Discussion?

All in favor?

Any opposed?

The ayes have it.

COMMISSIONER LEONE: Terry, the casino manager is the first person that volunteered to be on a par with used car dealers.

COMMISSIONER LANNI: I know.

CHAIRWOMAN JAMES: Okay. The next one up.

COMMISSIONER LANNI: Okay. Page number six, lines 25 through 36. That begins with, "These two approaches." You can see the bold is not terribly bold. But I think you should read that because it’s --

CHAIRWOMAN JAMES: Let’s take a minute or two and let everybody read that.

Okay. If we could, let’s turn to that language. That paragraph, "These two approaches." You see the language that is in bold there. And Terry, would you like to --

COMMISSIONER LANNI: First, I think the reason this needs to be done is I think anyone reading this has a better understanding of the implementation of the New Jersey model in the
river boat casino states, and should better understand the
identity of Mississippi within the context of the two regulatory
approaches. I think this just clarifies it.

CHAIRWOMAN JAMES: It has been moved, and is there a
second?

It has been moved and seconded. Are you ready for the
question?

COMMISSIONER LEONE: Are we voting on both --

CHAIRWOMAN JAMES: Yes. Would you like to take a
moment and look at that?

COMMISSIONER LEONE: I don’t think that the last
sentence is true.

COMMISSIONER LANNI: Compared with other states? As
long as --

COMMISSIONER LEONE: I mean, the reason -- frankly,
it’s not -- it’s not -- it’s extra.

CHAIRWOMAN JAMES: Okay. That sentence. Starting with
"Compared," that sentence has been deleted?

COMMISSIONER LANNI: The very last sentence.

CHAIRWOMAN JAMES: The very last sentence. Any other
discussion? All in favor? Any opposed? Any abstentions?

COMMISSIONER LANNI: Page number seven, line number 14.
This would be an insertion after the second paragraph. The
second paragraph is the word beginning with "in." Paragraph ends
with the word "in", beginning with the word, "approval." I would
insert the following:

"Furthermore, the regulatory structure of most
states, including statutory language, restricts
gambling by those under 21. State levies, finds,
and other punishments for a failure to adhere to
this code of conduct, the industry itself self-
regulates with regard to underage gambling to
ensure that it’s patrons and employees that only
those 21 and over are permitted to gamble. In
addition, many states have gambling statutes
requiring casinos to address pathological
gambling."

Obviously, it’s a key issue that we’ve talked about
here, underage and pathological or problem gambling. I think that
this section should describe the manner in which these issues are
being addressed.

CHAIRWOMAN JAMES: It has been moved and seconded.

Discussion?

COMMISSIONER MCCARTHY: I’m just lost.

CHAIRWOMAN JAMES: Okay. Where would that language be
inserted on page seven?

COMMISSIONER LANNI: At paragraph --

COMMISSIONER MCCARTHY: I see. Okay.

COMMISSIONER LANNI: It’s inserted between the
paragraph beginning "in." The paragraph there.

Well, there are many states that -- river boat states
down the Mississippi have requirements. We have them in the state
of Michigan where we’ll be operating next month.

The requirements are posting 1-800 numbers,
requirements that are on the sheets in certain areas, limitations
on the aspect of -- machines, which are already being fostered.

Earlier proposals. Some are already in place.

COMMISSIONER MOORE: I know there are some states
where -- a few states -- I’m not aware of any states that have
required -- machines for gambling purposes itself. I know it’s
been tried in several states, but shot down -- I don’t know of
much gambling -- much regulation --

CHAIRWOMAN LANNI: If you’d like that sentence removed,
I’ll be --

COMMISSIONER MOORE: Please.

COMMISSIONER LANNI: That’s acceptable.

COMMISSIONER DOBSON: Madame Chairman?

CHAIRWOMAN JAMES: Commissioner Dobson.

COMMISSIONER DOBSON: That paragraph, "The industry
itself self-regulates with regard to underage gambling to ensure
that it’s patrons and employees understand that those that are 21
or older can gamble." That’s pretty -- a pretty definitive
statement. The NRC report, which I have in front of me on page
324, reviews a number of studies with regard to adolescent
gambling. And there were 13 studies that were considered, and the
median percent of adolescents that were involved in adolescent
gambling was 27 percent. For the lottery there were 19 studies
with a median percent of 42. And for the video lottery terminal
there were three studies with a mean of 26.

So, I don’t think we can make a statement quite that
strongly that says the regulations are effective with regard to
teenagers being involved in casino activity.

COMMISSIONER BIBLE: I remember a statement in the NORC
study that indicated that the policing mechanism within the casino
industry were tougher than in any other segments of the industry.

COMMISSIONER LANNI: In what page is the NCR, because I
remember that also on the NORC?
COMMISSIONER DOBSON: NRC?

COMMISSIONER LANNI: NRC.

COMMISSIONER DOBSON: Three twenty-four. It’s labeled 3-8. The title of it is, "The percentage of adolescents reporting that they had participated in various types of gambling."

COMMISSIONER LANNI: Various types of gambling.

COMMISSIONER DOBSON: Right. So, down the left side are the various types of gambling, including the three I mentioned, casinos, lotteries, video lottery terminals.

COMMISSIONER LEONE: This is just casino self-regulation, correct?

COMMISSIONER LANNI: Correct.

COMMISSIONER DOBSON: I would be satisfied if you -- if you just added the words, "The industry attempts to self-regulate with regard to underage gambling." It’s obviously not excluding everybody.

COMMISSIONER LEONE: Well, the statement that the industry self-regulates is not a commentary on how effectively it does so, it’s just a description of the regulatory scheme that is --

COMMISSIONER DOBSON: It talks about ensuring that its patrons and employees understand that only those that are 21 and over are permitted to gamble.

COMMISSIONER LANNI: What if we said, "The casino industry itself self-regulates with regard to underage gambling to help ensure it’s patrons and employees understand that only those 21 and over are permitted to gamble"? The issue -- we’re not saying that people don’t break through who are under 21 and gamble, we’re saying that the industry, on a self-regulatory
basis, applies a training program to its employees to understand
that people aren’t allowed to gamble under 21?

COMMISSIONER BIBLE: My experience has been that some
casinos do better jobs than other casinos, and those that do a
less well job tend to get the fines.

CHAIRWOMAN JAMES: I wish you’d say that. The way it’s
written here implies that it’s absolutely effective, and the
research shows us that it isn’t.

COMMISSIONER LANNI: But I don’t think it does imply
that it’s effective. What we’re saying is the industry -- the
casino industry itself self-regulates with regard to underage
gambling to help ensure that its patrons and employees understand
that only those 21 and older are permitted to gamble. That’s an
informational process. That’s not --

COMMISSIONER LEONE: How about "attempt to ensure"?

COMMISSIONER LANNI: That’s fine. I think that was
actually Jim’s attempt.

CHAIRWOMAN DOBSON: That moves me in the right
direction. Would you repeat what --

COMMISSIONER BIBLE: No, I indicated in my experience
that some -- some casinos do a better job than others in terms of
placing their activities in ensuring that underage gamblers don’t
participate in gambling. And those that do a less well job tend
to get the fines and the sanctions.

COMMISSIONER LANNI: That’s an improvement.

COMMISSIONER DOBSON: Yeah.

CHAIRWOMAN JAMES: No, I was just looking at Doug to
make sure he got it.

Did you get it? Okay. Would you repeat it back?
MS. RICE: In my experience -- in Commissioner Bible’s experience some casinos do a better job than others.

CHAIRWOMAN JAMES: Well, we don’t want to say, "In Commissioner Bible’s experience."

COMMISSIONER BIBLE: I can tell you which one.

CHAIRWOMAN JAMES: No, keep going.

MS. RICE: With regard to underage gambling. And those that do not do a better job tend to get finds and abstentions.

COMMISSIONER LEONE: Yeah. Something of that nature.

CHAIRWOMAN JAMES: Doug, you’re going to -- you’re doing this chapter?

MR. SEAY: Yes.

CHAIRWOMAN JAMES: Okay. We’ll -- Bill, I would just ask you to take a look at it and make sure we capture that.

COMMISSIONER LANNI: My last one in this chapter is page number 16, line number one is headed with the terminology, "Currently Supporting a Ban on Advertising." I believe that we agreed to supporting a restriction on advertising, not a ban on advertising. And it has the current language. And the proposed language -- you might want to read the current language along with the revised language.

COMMISSIONER DOBSON: Terry, I agree with you that we just talked about supporting restrictions rather than a ban. But your statement here eliminates the third reason, which is that the prohibiting advertising about casino gambling will increase the amount of gambling activity and in turn minimizes the social ills associated with gambling.

Obviously, money is spent on the advertising of all forms because it influences behavior in the ways that the sponsor
considers advantageous. The money wouldn’t be spent if it wasn’t for that purpose. So, I wouldn’t want to see that third item go.

COMMISSIONER LANNI: And the reason that I did -- advertising people generally will tell you that advertising doesn’t cause someone to do something, what it does is causes them to select a certain brand. Now, if there is cigarette advertising, the arguments from the advertising people is that that is not a means of contributing to getting people to smoke, what it does is selects the Lucky Strike over the Marlboro, or whatever they have.

COMMISSIONER DOBSON: I’m no expert on that subject, but that doesn’t seem right to me. When the -- when the advertisers tell us that bad breath is something that’s not socially acceptable, people forget buying breath mints. You begin to smell the market for something that you didn’t know you needed before.

COMMISSIONER LANNI: I think we need some citing. If you looked in there third -- prohibiting advertising about casino gambling would increase the amount of gambling activity. I would certainly buy into that. The difficulty, how do we cite how it would in turn minimize the social ills associated with that?

COMMISSIONER LEONE: You know, I don’t -- I don’t understand this idea. It seems to me the first two points -- the third point. You’ve already made the point. I mean, the first two points don’t make any sense unless you think that more gambling will add more social problems. So, I don’t quite understand.

COMMISSIONER LANNI: I was more concerned about the correction of the --
COMMISSIONER LEONE: It could go either way, in other words. Mean the same thing.

CHAIRWOMAN JAMES: So, you’re arguing that you don’t necessarily need that third point?

COMMISSIONER LEONE: In this case I don’t think it actually matters if you have it or you don’t have it.

COMMISSIONER BIBLE: It’s late. Let’s keep going.

MR. SEAY: I would just point out that the sentence beginning the second --

COMMISSIONER LANNI: It’s not a sentence. I know. Right.

CHAIRWOMAN JAMES: Doug, did you get that? We deleted that last -- the third. And make sure that the preceding clause is actually a sentence.

MR. SEAY: Is it the word "ban" or "restriction"?

CHAIRWOMAN JAMES: No, it’s not a ban. It’s a restriction.

Do we need a vote on that? I don’t think we do. I don’t hear any objections.

Bill, I’m going to ask that you walk us through the next ones that are yours. It would be nice to know what it is.

COMMISSIONER LOESCHER: The first one that we handled, the second one is the reference to the Wire Act, the best language that flexibility has to be something engaged in the business of wagering. Three, three, twenty-six. And I’ve checked the technical grammatical. The last one is Mike Dillinger is the former Chairman, and --

CHAIRWOMAN JAMES: Those are all technical. They’ve been done. The last one here -- act of --
COMMISSIONER LOESCHER: This is on page 10. It appears twice on line 16 and 28. We talk about the Las Vegas generated point spread. It’s the Las Vegas and offshore generated point spread, because of the growth of offshore sports wagers. Point spreads coming from both locations.

CHAIRWOMAN JAMES: Did we do anything with chapter three, page three, line 26? Did that one get done?

Okay. So, we’re done.

COMMISSIONER LOESCHER: Three, three, twenty-six would be technical. And the staff needs to include in their description of the Wire Act the applicability, but only to those individuals that are engaged in the business of wagering.

CHAIRWOMAN JAMES: So, from my read, chapter three is now completed.

Why don’t we do that and see how that takes us, we’ll bring the regulation piece up.

Thank you, Doug. You’re going to go -- are you going to go work on -- okay.

COMMISSIONER MCCARTHY: Madam Chair, for the record, John Wilhelm agreed to this.

CHAIRWOMAN JAMES: That’s important to know.

COMMISSIONER WILHELM: I was bludgeoned, though. Yes, I did.

CHAIRWOMAN JAMES: And so this comes before us as a unanimous recommendation from the research Subcommittee?

COMMISSIONER LOESCHER: I was the individual who -- anything that wasn’t unanimous would have to come before us. I think we should move this by acclamation. So, I would move that we would adopt the proposals as presented by the Committee.
CHAIRWOMAN JAMES: It has been moved and seconded.

Call for questions?

COMMISSIONER LOESCHER: I would call the questions.

CHAIRWOMAN JAMES: All in favor?

It’s done. And Leo, that’s why we did it as fast as we did.

COMMISSIONER WILHELM: As Jim has pointed out, I’m a worse offender than Leo anyway.

CHAIRWOMAN JAMES: Well, you know, we have more chapters left, but we actually have done a bulk of -- a great bulk of the work. This is going to be my recommendation, that as a point of personal privilege, if we could call time for the day here and begin with problem and pathological gambling in the morning.

I would ask this one request. We -- do we now have before us all of the substantive language changes to the document, or are there additional ones in chapters four through --

COMMISSIONER LOESCHER: Madame Chair?

CHAIRWOMAN JAMES: Commissioner Loescher.

COMMISSIONER LOESCHER: I worked all night last night getting my work down, and I’m sorry that it was too late, on the chapter on Native Americans Tribal Gambling. And what I’ve done is taken the language that’s in the chapters presented by the staff, and interlineated by striking or padding and underlining those words that are added in -- throughout that section. And I have given to Dr. Kelly copies of the documents for distribution.

I would like to ask the Commissioners to take a look at the work, and I’d like to -- to ask to the Commissioners that the
-- the words that I’ve added, for the most part, were originally in the Committee’s report that was advanced to the Commission, and have been in subsequent drafts dropped from the writing as they evolved from the -- from the staff -- staff writing.

And so when you look at the words they’re not new words, they’re words that came from the Committee. And there is some transition language just to make it go. But for the most part, the words come off the computer interlineated, and will be right here on the Committee’s original draft.

CHAIRWOMAN JAMES: So, are you telling me that what I have in front of me in this document, the underlined language is additional language to the draft chapter?

COMMISSIONER LOESCHER: Yes. Have you distributed those?

MR. KELLY: No, Commissioner, I haven’t yet. Should we go ahead and distribute those now?

CHAIRWOMAN JAMES: Yeah, I think you should.

COMMISSIONER LOESCHER: In addition, Madame Chair, if I could just comment, and also the provisions in support of the recommendations that were finalized by the Commission, matching -- matching language. There’s no additional narrative that doesn’t - -

CHAIRWOMAN JAMES: Well, I’m going to recommend this to the Commission, just because there was a huge substantive change here in terms of the document. And what we had done or what we thought we had done was have language before us that was approved by the Subcommittee. And I would like to send this back to the Subcommittee for you all to come forward to us tomorrow morning with a recommendation. I don’t know how the Chair feels about
COMMISSIONER MOORE: Janet was pretty well satisfied with all we had. Of course, the Commission was -- we always take people’s recommendations -- I’m not so sure that the Chair -- it’s my understanding that the Chair said that in general that the body of the report, as far as the Commission, they are, and the recommendations for this belong to the Subcommittee. I may be wrong what I’ve stated there. But I don’t -- I wouldn’t enjoy at all sitting here all day tomorrow in order to go through this report line by line. I haven’t seen it, what’s been blacked out and what was supposed to be added.

I don’t think that any changes have been made are -- some of the changes that have been made, I think, without reading this, probably would be in the deposition that attorneys wouldn’t allow this as to what lay people on this Commission might say, versus how an attorney, they might go with that.

My reading of what might be in this, I think that the definition of -- things of that nature, would probably be discussed, and all of that. But I thought that the report read pretty good.

CHAIRWOMAN JAMES: Well, I’m going to suggest that all of these materials be passed out to the Commissioners, and I would -- I would respectfully ask everyone to review this tonight to see which of these changes, based on our discussion today, they would be willing to eliminate so that we can pare down our work for tomorrow. And I don’t want to make any final decision on this substitute chapter which has been suggested at this point. Give us time to think about and talk about that this evening, and we will reconvene in the morning.
CHAIRWOMAN JAMES: Madame Chair?

COMMISSIONER MOORE: May I ask one question?

CHAIRWOMAN JAMES: Commissioner Wilhelm and then Commissioner Moore.

CHAIRWOMAN WILHELM: I was on a different subject.

CHAIRWOMAN JAMES: Oh. Okay. Commissioner Moore.

COMMISSIONER MOORE: I see that, without knowing, I see that a lot of material is on the line.

CHAIRWOMAN JAMES: That’s new material.

COMMISSIONER MOORE: New material.

COMMISSIONER LOESCHER: Madame Chair, it’s not new material, it’s material that came from the Committee’s sub-draft. And when it got to staff it was dropped out. Those sections deal in part -- alternative economy, for instance, was taken literally out of the -- out of the draft, and I’m suggesting they be put back in. The -- the final recommendations have spoken to alternative economy, and there’s no support for it. And I think the Committee’s work that it submitted to this full Commission is relevant in that regard. The section on regulatory aspects are also on here, and that was -- should be dropped and revised.

CHAIRWOMAN JAMES: Commissioner --

COMMISSIONER MOORE: What was that last one?

COMMISSIONER LOESCHER: The regulatory section that the Committee had drafted had been dropped, and I have been merely re-added to that. There is no language in here that we’re proposing that the Subcommittee had approved of.

CHAIRWOMAN JAMES: Let me ask you this. This is the only document that we have been given that has not been put in the format that was requested in terms of specific changes to be voted
up or down on. That has made our work easier today as we’ve gone through. I’m not exactly sure how this could be approached. I guess I’ll have to give it some thought overnight and see what we can come up with.