CHAIR JAMES: I’m going to ask us to come to order.
With that, following the same process that we used this morning, I’m going to ask John if he would kick us off with his summary remarks on the casino chapter.

DR. SHOSKY: Casino?

CHAIR JAMES: Lottery, sorry.

DR. SHOSKY: Sure, be glad to. In your briefing books there is an outline of the lottery chapter. That outline speaks for itself.

What I would like to do is just to highlight a few issues that I hope you will talk about. One issue that we have been doing quite a bit of research on, but unsatisfactory research in my opinion, is video lotteries.

The reason I say unsatisfactory is because we have a lot of articles that have been written about it, we have a lot of stories and information, but we are really looking for more statistical information. I realize that there is some out there, but we are still trying to find more.

There is a second issue that we have been exploring in this chapter, and in the advertising chapter, and that is the question about lottery advertising.

As you know there was a very compelling presentation by Dr. Cook from Duke, and we were integrating not only the Cook and Clotfelter report, but also the testimony by Dr. Cook into the chapter.

To show you how much we are integrating it, as a matter of fact, we are using the specific ads themselves as part of the chapter, if that meets with your approval.

Some people have been very interested of getting copies of the visual presentation that he made, and we are trying to
integrate into the chapter a description of some of those ads, and the actual language in the advertisings.

In addition there is a whole question about state regulation. I mentioned at the beginning of the last section that we went through, that the lotteries are often regulated by separate entity. And the report that we received from Duke University has much to say about that.

And in point of fact there is the assertion made in the report that these agencies, the state agencies that are overseeing the lotteries become very powerful and operate to -- operate within their domain to such an extent, with such unaccountable power, according to the report, that they have labeled it a new form of government.

So I thought that was something we might want to look into as well.

CHAIR JAMES: They being?

DR. SHOSKY: Cook and Clotfelter. And as well I was hoping you would consider the whole issue of funding, and the regressive nature of the lottery.

You probably remember in the report that we received from Duke there is a discussion of alternative models on pages 22 and 23. They suggested that these were models that we might want to take a look at, and see if those would figure into any recommendations that we wanted to issue.

So, anyway, I was hoping that those would be issues that we might look at now.

COMMISSIONER LEONE: Were there any other comments from the Commissioners on this topic that were submitted in writing?

DR. SHOSKY: Yes, sir. As a matter of fact there are several. I have some comments from Commissioner Dobson, I have a
draft outline from Commissioner McCarthy, and I have other pieces
of information that various Commissioners have sent down to me.

CHAIR JAMES: Has that been distributed to all the
report subcommittee?

DR. SHOSKY: It has not, it has not. I would be glad
to do that.

CHAIR JAMES: Well, I think the instructions were that
whenever Commissioners comments come in we share them with
everyone so that we can respond to that.

DR. SHOSKY: I’m sorry, perhaps I have misspoken. What
I’m specifically identifying are, except in two cases, are just
pieces of material that came down that I thought were things we
would file. They weren’t comments per se as much as they were
just pieces of information.

However they are extensive. One is this outline from
Commissioner McCarthy that was sent to everybody on the report
subcommittee, and the other set was comments from Commissioner
Dobson, which I did not, but I would think --

COMMISSIONER LEONE: Did everybody get my comments?

DR. SHOSKY: Well, I’m not sure what you mean.

COMMISSIONER LEONE: I sent a memo that --

DR. SHOSKY: That is great because I have all the
correspondence right here, so I can look that up.

CHAIR JAMES: The question is, the process is that when
the comments come in they go out, and of course I get them, and I
assume that the rest of the Commissioners get them.

DR. SHOSKY: The distinction I’m trying to draw is
something like this. Commissioner Leone sent me, recently,
something that says FYI on it, and it was a letter he received,
it was a story he just wanted me to have.
April 7, 1999  N.G.I.S.C. Washington, DC Meeting

CHAIR JAMES: No, we are not talking about that.

DR. SHOSKY: Right. That is the extent of everything else I’m talking about. But the specific sets of comments --

CHAIR JAMES: Dr. Dobson’s comments on lotteries, were they shared with the other Commissioners?

DR. SHOSKY: I got them from you, so I don’t know.

COMMISSIONER BIBLE: You had a general set that was sent to all the Commissioners.

DR. SHOSKY: That is what I’m referring to.

COMMISSIONER BIBLE: A whole long laundry list of recommendations.

DR. SHOSKY: Exactly, that is what I’m referring to.

COMMISSIONER BIBLE: Now, Commissioner’s McCarthy’s material was not circulated to me. I have not seen that.

CHAIR JAMES: So the only piece that seems to be in question at this point is Leo’s?

COMMISSIONER MOORE: Well, we got an outline from Leo.

DR. SHOSKY: Right. That is all it is. It is cc’d to the entire --

CHAIR JAMES: I think everybody got that.

COMMISSIONER BIBLE: I have not seen that document.

COMMISSIONER MOORE: It says to the drafting committee.

CHAIR JAMES: He probably only sent --

DR. SHOSKY: And virtually every one of the issues on there I tried to incorporate into the outline.

CHAIR JAMES: I guess at this point I'm just asking a process question, John. And that is, when Commissioner comments come in the process should be, it seems as though it is working, but I want to be clear that it goes to every other Commissioner
so that they have the opportunity to see what each other is saying.

DR. SHOSKY: That is the process, and I’m hoping that that is exactly what we have done. And if it isn’t we will redouble our efforts.

CHAIR JAMES: Is there anything else that we can think of that hasn’t already -- okay, go ahead.

DR. SHOSKY: Thanks, I’m done.

CHAIR JAMES: With that we will open it up for discussion. I know it is after lunch, but I can always come up with you to come up with a provocative thing.

COMMISSIONER LEONE: Well, could we --

CHAIR JAMES: We should let lotteries die a natural death.

COMMISSIONER LEONE: That is the last thing that would happen to them, and that is like saying let cancer die.

Should we focus on the recommendations section? Since I think we don’t, you know, we only got the outline, and we have the Clotfelter and some other material that we know we are going to incorporate.

CHAIR JAMES: Let me ask you this. Respond to this, and I’m asking you to think about your answer. If you could read the chapter on lotteries you want to be sure that it says what about lotteries? Bill?

COMMISSIONER BIBLE: Well, we had a fairly extensive discussion at the Commission level about this in the afternoon meeting last time.

CHAIR JAMES: Could you summarize that?

COMMISSIONER BIBLE: Well, some of those consensus type issues were, I guess maybe it was reiterated or re-conveyed in
Richard’s memo in terms of having a third party control over some of the lotteries, because they are an operation of the state government, and may not be sufficient distance between the lottery operation and a regulatory mechanism, that there cannot be sufficient oversight.

There was concern about the advertising practices, and we asked for some additional information.

CHAIR JAMES: I’m not seeing notes being taken by staff.

COMMISSIONER BIBLE: And we made --

CHAIR JAMES: Are you getting all of this?

COMMISSIONER BIBLE: And we talked about a number of the same issues in terms of the study material we have, the regressive natures of lotteries, targeting practices, areas like that.

COMMISSIONER DOBSON: I’m in agreement with what you just said, Bill. I -- having a separate regulatory agency, did I understand you correctly that we talked about that?

COMMISSIONER BIBLE: Yes, I thought we talked about that, I know Commissioner Lanni indicated he felt that a number of the members should be subject to some of the suitability standards that apply to commercial gaming industry.

COMMISSIONER DOBSON: Self-regulation, even for the state government in this area is not wise. Would you agree with that?

COMMISSIONER BIBLE: Some examples it hasn’t worked. I would tend to agree that there needs to be oversight. After we talked about it, the lottery people came forward and they indicated they do, in a lot of cases, have oversight committees, or oversight boards.
COMMISSIONER DOBSON: I would hope that would be an item that we would focus on. Another recommendation, if I may --

CHAIR JAMES: Please.

COMMISSIONER DOBSON: -- would be that we recommend that the lotteries contribute to treatment programs for problem pathological gamblers.

COMMISSIONER LEONE: I actually don’t have a problem with that. The state that operates it, I believe, should somehow fund those kinds of programs. Exactly how they do it, I don’t know if they earmark revenues, or exactly how it is done. But I would, at least, be in general agreement that there should be monies allocated for treatment programs.

I actually went a little further than that in my memo, and even though it is a little artificial to tax the purchase of a lottery ticket, since the lottery ticket is a tax, I like the idea of recommending that states consider putting a tax on it, because people are conscious when they pay a tax that they are paying a tax.

And the fact that they are paying a tax that is devoted to the treatment of pathological gamblers or educational programs for youth about the dangers of gambling would mean every time somebody bought a lottery ticket, in a way we would be reminding them that there is a cost in this, and the cost is incorporated in this excise tax that is on top of what you pay for a ticket.

CHAIR JAMES: Why would you be opposed to just phrasing it that a portion of the profits be used?

COMMISSIONER LEONE: I think that then it is opaque, and it wouldn’t make any difference to the average player. The average player has only the vaguest notions as to where the money
is going. Most of them think that it could be used to replace
the state income tax, or something.

In a state like New Jersey where all gambling revenues,
including the casinos, amount to about three percent of the state
revenues, in the minds of the public they always seem to think
that it amounts to about 90 percent of the revenues, and they
always want to know why they need any other money.

I think there are two or three ways I would like to --
I think we can affect behavior and it means something, introduce
an element of restraint through education and through reminding
people that this is something you have to be careful with, this
is something with some consequences.

That is why we’ve talked about the odds, creating some
other notions, and I guess I just believe, I don’t know -- I can
see the argument in the states is going to be, that will bring
our gross down, and it will cost us money. We will lose more
than we get from the tax. But I like the tax, I think the tax is
like hitting people a little bit every time they buy a ticket.

CHAIR JAMES: Then you get into a philosophical
discussion of whether or not we ought to try to regulate people’s
behavior through the tax code, which is an interesting
discussion.

COMMISSIONER LEONE: We do that all the time, alcohol,
tobacco.

CHAIR JAMES: Whether we should or not is another
question.

COMMISSIONER BIBLE: And the question goes someplace
else in terms of earmarking whatever rate you decide kind of
drives the program. I never have liked earmarking. Earmarking
determines the program levels so the tax rate isn’t set
appropriately to people that need to be taken care of, or if it
is set too high then it becomes a surplus. It just simply
doesn’t work.

COMMISSIONER DOBSON: I haven’t thought that through,
but at least an argument could be made for the fact that that
hands to the lottery, to the state people, yet another -- their
propaganda about the social benefits of buying a lottery ticket.
When you buy this ticket you are helping to treat those that have
a problem with this.

COMMISSIONER LEONE: I guess that is a good point, Jim.
Actually I was hoping that --

COMMISSIONER BIBLE: It would make a great commercial.

COMMISSIONER DOBSON: It will.

CHAIR JAMES: You know, as I said, it is an interesting
philosophical discussion to have. However, if at the end of the
day the desire is to provide more opportunity to have resources
to treat problem and pathological gambling, I think you are more
likely to be able to get a governor to say that we will take some
of the proceeds and do that, than it is to say we are going to
tax lottery tickets.

COMMISSIONER LEONE: I think that is true. There are
three things I’m trying to deal with; the culture in which the
Government encourages gambling as something that produces good
outcomes; the behavior of governments who find that it is a
totally painless way to get money from people, because it is not
seen, generally, as a tax.

And, third, the behavior of people who often don’t
think through whether they are buying too many tickets. We know
that they have some problems with --

CHAIR JAMES: No disagreement.
COMMISSIONER LEONE: And I’m just looking for ways to affect all of that. And I think, therefore, making it a little less pleasant for everybody involved, including the governors, this may not be a very good idea, there may be some other way. There may not be any idea.

But to think of practical, since I don’t think states are going to repeal the lotteries in the foreseeable future, I think of ways to mitigate what I see as their negative effects.

I’m just trying to be imaginative. I do think you are quite right that as far as treatment goes it would be easier to take the money out of the proceeds. And my problem is that I think that would be almost too easy.

It would be a grand gesture and the governors would all come out and say, I never liked it anyway, and I’m going to take care of these people who have a medical problem. And then you make the whole issue a medical problem, which we are taking care of.

And, frankly, I think there is a lot of hypocrisy among the governors and legislators who all don’t like gambling but want more revenue from it.

COMMISSIONER MOORE: Would you rather it be like if you bought a lottery ticket for a dollar that you have tickets and things of that nature, that you have it broken down by, say, whatever they decided on, like a five percent tax, and say three percent goes to pathological gambling, and two percent for this, only 95 percent of that dollar sale for that dollar ticket can go into the lottery fund to pay these people that run it, and also to pay the people that win?
That would be, you know, in football or athletic events, the Government can use the tax, they have to figure out where that goes, and what is the best use for it.

COMMISSIONER LEONE: Never amused you, did it?

COMMISSIONER MOORE: No.

COMMISSIONER DOBSON: I have two other suggestions, if I may.

Recognizing that what we recommend here does not have the force of law, we can still make the recommendations. And I think we should state that lotteries should not be used for casino type activities.

CHAIR JAMES: You mean the fast paced games?

COMMISSIONER DOBSON: Casino style games and so on.

COMMISSIONER MOORE: That is where we got into trouble in California, or where they got into trouble.

CHAIR JAMES: That is a nice recommendation. I don’t hear any objection?

COMMISSIONER MOORE: I like that suggestion.

COMMISSIONER DOBSON: The second one I feel even more strongly about, having to do with the strong recommendation that the lotteries reduce their dependence on low income people for their sales in a variety of ways.

And that takes us back into advertising to some degree, but to --

CHAIR JAMES: How would they do that? I’m there, but how would they do that?

COMMISSIONER DOBSON: I’m not sure. Maybe the number of outlets that are placed in the lower income areas compared with other parts of the city. The state, again, the way that it is advertised and pitched to poorer people.
My greatest concern about the lottery is that it preys on the desperation of the poor, maybe more than any other form of gambling. And it would appear, from the testimony we have had, that the state people know that, and take advantage of it.

And I don’t know how we can get a handle on that, but I sure would like to do it. If no other way but by recommendation.

CHAIR JAMES: Comments? Disagree?

COMMISSIONER LEONE: Well, I think that the more startling statistic about the lotteries that we have been studying was that 5 percent of the people buy 51 percent of the tickets, and spend an average of 3,500 dollars a year on lottery tickets.

Unless those 5 percent happen to be quite well off, and the other numbers suggest that that is not likely, that means that a relatively small portion of the population are providing all the income for the lotteries.

And I think there is, I think you are right, there should be some covert force directed at the --

COMMISSIONER DOBSON: Some of that may be because desperate people do desperate things. The question I have is how much of it occurs as a result of specific marketing efforts to those people.

CHAIR JAMES: Let me tell you what I’m struggling with, and see if we can figure out a way to word it. And that is, I heard a great deal of consensus on that very issue when we talked about that extensively at the last meeting.

And we talked about the right of the poor people who do dumb stuff, like buying lottery tickets when the odds are so incredible, and they really can’t afford to do that.
But what I’m -- and I think we can make a very strong point, I think we can make a very strong case for that, it is a tremendous concern, and have the charts and the data to show that.

Then when I get to the point that says, therefore this Commission recommends that state governments -- what would you put in?

COMMISSIONER DOBSON: I think it would be a statement that this is -- that this should be a major concern not only of the state regulators, but of the people themselves, that the poor appear to be more vulnerable and more likely to be hurt by lotteries, and in some cases marketing that is addressed to them, and this is deplorable. If it goes that far I would be satisfied with it, if it would be.

But I said at the last meeting, I really would like this to be one of the strongest things that we have to say.

COMMISSIONER BIBLE: Well, the issue, to a large extent, ratchets into the convenience gambling issue that we are going to talk about in terms of the devices. To me this is not much different than OTB where there is not a track, and it is not much different than having a slot machine available. It is a gaming device that is deployed out in the neighborhood very broadly, it is generally available.

COMMISSIONER DOBSON: The difference is that the fox is in the hen-house, you know?

COMMISSIONER BIBLE: I understand the difference in terms of who is operating it, and that they may not be subject to some of the constraints that a private enterprise would be were they operating it. I think we should do some recommendations in that area, and I think probably attack your issue in terms of the
marketing practices, in terms of making it available to the policy makers that drive these sort of things data as to where the ticket sales are coming from.

I don’t think a lot of policy makers are aware of that. Maybe they are aware of it, but they just simply disregard it.

COMMISSIONER DOBSON: No evidence of this but I can imagine elected representatives who want to increase the revenue leaning on lottery directors to get that done without a lot of oversight as to what they are doing to make it happen.

COMMISSIONER BIBLE: I think I pointed that out at least in one of the meetings, that the lottery people are in a tough position because they are being told to go out and operate this thing like a private enterprise, not like a federal enterprise, and then they are being criticized for you are getting a little too free spirited in what you are doing.

But you have to recognize that this is a governmental enterprise, the government should have a mechanism in place where there is some restraint as to how these things operate. I don’t think it is --

COMMISSIONER DOBSON: Maybe the mechanism would be for us to recommend to those independent regulatory agencies that we are suggesting, that these issues be addressed.

COMMISSIONER BIBLE: At this point you don’t really have an independent regulatory agency in most jurisdictions.

COMMISSIONER DOBSON: That is our recommendation.

COMMISSIONER BIBLE: It will create something like that, some sort of an oversight board that is comprised of private citizens that have data available that can make reasonable policy choices as to how they market, the type of
games they offer, things of that nature, is where I think you are headed, and that makes good sense.

COMMISSIONER LEONE: Let me throw out an outlandish idea, but one that fascinates me, and I’m indebted to one of my colleagues at the foundation for it.

I threw out this challenge which was, in other respects, if one wanted to affect behavior on the part of the public officials here, one would look for a way to reduce the incentive they have to induce people to bet a lot on the lottery.

And, of course, the simple answer to that is if the Government didn’t receive any of the revenues, except for the cost of operating the lottery, the incentive to spend a lot of money advertising, and encourage people, would be gone.

On the other hand, the players would be better off, they would get more money. And that led to something that was to be called a savings lotto, that might have significant other effects.

Here is the way it would work. I have never heard of this, and I believe it is original, and it has potentially some wrinkles that would be interesting. It might take a year to get underway because you would have a drawing every week, but you wouldn’t have a first drawing for the first week, until a year.

All the money would go in a pool, it would be invested in marketable securities --

CHAIR JAMES: I knew you were going to get that in there.

COMMISSIONER LEONE: Everybody wants a piece of the treasury market, or the stock market. It would be safe, in other words.
At the end of the year there would be a drawing, and some people would receive a very large proportion of the upside, or less of the downside, if it was a bad market year. Everybody would receive something back, unless we hit a great depression or something.

And this is the kind of saving that Bernard points out may actually be a practical and appealing thing for average to low income people and others who basically don’t save.

The drawing every week, the Government would simply deduct the cost of conducting the savings lottery. Over time people might even get into the habit of thinking that putting money away and this way you get a return, is quite like what happens in the stock market. Some people pick winners, and then some people are like me.

It demonstrated to me whether or not this particular idea is a good one, is that with a little imagination a governor and a legislator who wanted to do something about lotteries, and who were willing to forego the income --

CHAIR JAMES: And therein lies the problem.

COMMISSIONER LEONE: Therein lies the problem. Well, in good year, good boom years when you have the kind of democratic prosperity we have now in the country, all the states are enjoying surpluses, could begin to wean themselves away from this dependence, and yet continue to provide a product that apparently a lot of people want.

Whether this is a great idea or not, I think the Commission might, because of how we feel about this, want to talk about the importance of treatment. Obviously it is hoity toity, and no one has to adopt it.
But the other ideas that this would provoke, that became actual practice, I tell you something, a person who campaigned for this alternative to the kind of lottery you have now, where 50 percent of the money doesn’t go back to the people, we would have a powerful campaign issue against an opponent.

CHAIR JAMES: Comments?

COMMISSIONER MOORE: I believe that would kill lottery.

CHAIR JAMES: Interesting idea. I would like to see you present it to the National Governor’s Association and see how far we can get there.

COMMISSIONER LEONE: Send them a letter.

CHAIR JAMES: Well, you know, I think and I know we ought to be able to state that there ought to be some ideas, some creative ideas given. That could be one, perhaps there are others, and suggest that given the implication on this for poor people, for -- and I have to confess, when I looked at the figures and saw the data and saw the disproportionate impact on minorities, that was extremely troubling to me.

We ought to give some serious consideration for some alternatives. I’m not sure -- we need to flesh that one out a little bit to see if we can make it fly.

COMMISSIONER MOORE: Let me ask Jim if he mean like sort of -- I stated one time that the lottery would just be definitely just buying the ticket, and there wouldn’t be any scratch-offs and all of that, quickpay, or whatever they call them, because I don’t think that there is any regulation whatsoever, like in the state of Florida, I believe anyone can go in the convenience store and get five gallons of gas and go in and pay for it, and if he is 12 years old, pick up a handful of
those scratch-offs, and scratch it off, and just kind of win back.

So you are just talking about -- and I would like to see the states that have a lottery, just have a lottery ticket, and that is it, and then a drawing at the end of the week, or two weeks, or whenever they draw it.

Is that what you --

COMMISSIONER DOBSON: Yes, it is. I would like it to be the least creative possibility. Obviously I’m looking to narrow the involvement of the lottery.

COMMISSIONER BIBLE: What you in effect said is that you want game outcome determined by a central computer?

COMMISSIONER DOBSON: Right.

COMMISSIONER BIBLE: And I think what you are talking about in terms of scratch-offs, you are talking about not even run by the lottery, they are just promotion that somebody is selling something that the --

COMMISSIONER MOORE: No, no.

COMMISSIONER BIBLE: You can buy scratch-offs, but are they actually lottery scratch-offs that you can buy, a twelve year old.

CHAIR JAMES: I have no personal knowledge of that, Bill, but I do understand --

COMMISSIONER BIBLE: A twelve year old?

COMMISSIONER MOORE: I don’t think that the convenience store operator -- I mean, I don’t think it is lawful for the 12 year old to buy them.

COMMISSIONER BIBLE: But he can buy them?

COMMISSIONER MOORE: But they buy them.
COMMISSIONER BIBLE: They are actually a lottery product.

CHAIR JAMES: I think one of the things that you can say is to encourage the states to do a better job of enforcement.

COMMISSIONER BIBLE: And I think that is included in the NORC survey, that the lotteries is where adolescents tend to gamble the most frequently. So, obviously, there is not much control over the outlets, which gets back into the convenience gaming area. They are not very well controlled.

COMMISSIONER DOBSON: Are there any examples, anywhere in the United States, where the states run such things as video poker machines, and things of that nature?

CHAIR JAMES: I thought we did hear some testimony.

COMMISSIONER BIBLE: Yes, I think Iowa has some state run slot machines at the track, I believe. I know John talked about it. And a lot of those devices, though, are hooked up to a state run centralized computer for control purposes. That would be the case in Oregon, that would be the case in Louisiana. I don’t think they are actually seen as being state run.

COMMISSIONER DOBSON: That seems to move in the direction of what you talked about of making the whole country a big casino, or Monte Carlo.

CHAIR JAMES: John, can you summarize where you think we are at this point, and what you heard consensus on?

DR. SHOSKY: Yes, I can. There is consensus that there needs to be greater oversight. In fact, in one way or another, that point has been a common theme throughout the discussion.

As well there is --
CHAIR JAMES: And where there are not oversight agencies, we recommend that the states do consider those. Did I hear that?

COMMISSIONER BIBLE: Yes.

DR. SHOSKY: There is also the suggestion that lotteries contribute to treatment programs. There was the discussion that there be a tax for treatment programs and for education.

CHAIR JAMES: Well, I think those were two sides of the same coin. We weren’t sure whether or not we wanted to recommend that they be taxed, or that we take a portion of the profits, but --

COMMISSIONER DOBSON: That needs more discussion.

CHAIR JAMES: Right.

DR. SHOSKY: There was some discussion about earmarking. The wording that a new tax might be used for propaganda purposes. There is the discussion that there is three things to worry about here. One is the culture of gambling, one is the behavior of government, the third is the behavior of the people, and we need to look at ways to affect all of that.

There is the discussion that lotteries should not be used for casino type activities. And, also, that lotteries can use their dependence on money from low income people --

COMMISSIONER DOBSON: Specifically marketing to them, yes.

DR. SHOSKY: And that lotteries examine the way that they are advertising to the poor.

A major concern is that the poor are vulnerable, they are more likely to be hurt, and for lotteries to disproportionately take money from them is "deplorable".
Oversight, some more greater restraint in advertising, and also a generalized comment that lotteries establish -- this is the way I wrote it down, lotteries establish some kind of benchmark where it will be obvious that if you went past this that you would not show any restraint. That there needs to be some demarcation to alleviate that.

More oversight. Then there was the savings lottery concept that was discussed, and that we need more creative ideas, that we give serious consideration to alternatives, we do a better job with enforcement, better control of the outlets where one does buy lottery tickets; get more information on video poker, and that is it.

CHAIR JAMES: Is there anything missing there?

COMMISSIONER DOBSON: I think Bill’s clarification of what I said ought to be included in there with regard to the linkage --

COMMISSIONER BIBLE: Gaming determination is controlled by a central computer?

COMMISSIONER DOBSON: Yes.

COMMISSIONER WILHELM: Just a minor clarification on that very last point, and I apologize for being out for a lot of that. I would think that when you said find out more about video poker, would that also include keno and other kinds of --

COMMISSIONER BIBLE: I don’t think we talked about video poker. We had some question about video lottery terminals.

COMMISSIONER WILHELM: Yes, video lottery terminals and electronic lottery keno that I’m familiar with.

COMMISSIONER BIBLE: What you indicated is you wanted them not to be operating casino type games, and what I rephrased it as the game determination will be controlled by a centralized
computer, which means you couldn’t have these instant games that are issued by the device itself, or the device making the determination as to game outcome. It has to be done through a central processing unit.

COMMISSIONER WILHELM: Again, I apologize if we have already covered this ground. I, personally, have a great skepticism even beyond that issue, Bill, about -- and I know others in the Commission have expressed this view as well, about lotteries proliferating into electronic things, which are, you know, casino style games, but there are more and more of them, and more and more lotteries.

COMMISSIONER BIBLE: And I don’t -- a traditional lottery is a game, it is -- essentially you can visualize drawing a winning number out of a big bowl, much like they did the draft numbers years ago. And what has happened is that it has been decentralized, where the devices now that are deployed in the various convenience stores are making the game determination, and they are acting very much like slot machines.

They have a lot of those components. I won’t go into the legal arguments in California, but they have a lot of the same components that go into the slot machines, they have a lot of the elements of chance consideration and prize that are characteristic.

If you want to go to a central controller you are talking more about big game theory versus all these various little games like instant keno, and things of that nature.

CHAIR JAMES: Any other points of discussion on lotteries?

COMMISSIONER BIBLE: I think when we do talk about lotteries, we also ought to talk about the paybacks, where it is
something like 50 percent payback. And in my mind, I have already seen gambling as having a more generous payback to the patron, at least in typical casino applications you are going to see paybacks in the 80 or 90 percent range to patrons.

COMMISSIONER LEONE: And the related point is the dishonesty of the payoff number, since it is normally an annuity, which is worth considerably less than the number that is listed at what the payoff is. You get it over 20 years, the present value is a small fraction of the dollar amount.

I mean, that is just one of the ways in which it is misleading.

CHAIR JAMES: I think some things will bear saying in more than one place. You can certainly have that in the lottery chapter, and that is also something that could be mentioned in the other chapter as well.