CHAIR JAMES: MR. Anderson?

MR. ANDERSON: Thank you, Madam Chair, for the opportunity, and Commissioners.

I represent the North American Association of State and Provincial lotteries, in Canada and the United States, and a few territories, and also am here representing Minnesota, as a Minnesota state lottery director.

I have been reflecting on the recommendations that NASPO is making, and certainly on the process, and the reviewing of all the testimony that has gone on today. And by way of assurance, I guess, I want to assure you that what you are going through we go through each and every legislative session in every one of our states.

In going over the testimony, specially from St. Patrick’s day in Boston, one thing that struck me is that how even some of the threads from supposed experts purport to weave something out of whole cloth that quite probably is not.

And the version of their reality certainly has to be overcome by facts. I’m very pleased that a great number of the reports that we are hearing beginning today, in fact, are very factual, although I have some disagreement with elements of them.

And, finally, we have begun to enter into that course for the Commissioner’s job.

We have made a series of recommendations which I believe you have, involving general findings. One certainly is that Americans love to gamble. The prevalence rate is fairly uniform across north america, and certainly across the United States, and rises up into the 70 and 80 percent range.
And certainly if we include raffles from churches the rate goes up into the 90s. Gambling is enjoyed in the United States by a vast majority of people. Its existence, throughout history, as we have just heard and, indeed, throughout the history of the world, and continues throughout the entire world.

Government policies certainly have to control the mitigation of the problems with gambling, and there are problems associated with gambling. But that certainly should not lead to prohibition, nor to significant restrictions from where it presently exists.

Lottery players, we’ve had some discussion today, frankly do not play with a great expectation of winning. They play with the expectation and the certainty that they have a fair chance of winning, that they might win, and they get their value from that, from the entertainment aspect, the possibility that they in fact might win.

They do know that someone will win, largely because it is regulated by state government.

Lotteries are, in fact, a reasonable and rational, and very relevant way to raise funds for a state government. There have been a lot of changes over the last couple of decades with regard to federal, state financial arrangements.

States, in fact, have a significant need to raise revenues, taxes are still not popular. Voluntary funding mechanisms such as lotteries will always prevail over involuntary taxation methods.

Government regulation is a fascinating topic. Lotteries are, in fact, highly regulated at the state level.
There are several thousand elected state officials who regulate lotteries in this country.

I can assure you that they are not all pro gambling. In fact, if they are considered our board of directors, as I consider them, close to half are vocally opposed to gambling. And they certainly fulfill their task.

And in any event, should they not be, the electorate certainly has the ability to take them out of office. There is keen oversight.

Lotteries is an enterprise of government, lotteries are an enigma for the state government. We do operate with retail tools, with all the normal perquisites of business, with the exception that we are so closely monitored that even every ad has been subject to review by legislators, and certainly subject to their favor.

Lotteries typically get appropriated by legislators, so there are very tight reins over the functions and abilities of them to do business.

In addition the public, our main constituent group, watches us very closely. The media, as you might know from press clippings, is extraordinarily aware of what we do, and critical, as they should be.

And players, as distinguished from the public, react very strongly, and frankly vote with their dollars each and every time they play the lottery.

Lotteries are voluntary purchases, and they are not taxation. Any reference to them, or inference that they are some type of excise, or income, or other tax, regressive tax, is by definition, wrong.
NASPO, and I’m certain every lottery is very much in favor of the Kyl Bill on internet gaming. There is hope that that will go through with the next session.

It is impossible to subject internet gaming to the type of scrutiny and regulation that is exercised by state and local governments on any other form of gambling.

Gambling marketing, including advertising, is a very common form. As I wrote to you before, would that it were within my talent to be able to persuade people to act in such a way as they do with regard to lotteries and gambling generally, in order to force them, if you will, to play it is not, it is merely a means of building awareness on other entertainment forms.

Lotteries, in fact, advertise far less than other consumer goods, in the nature of two, three, five, and even ten times less.

Lotteries also are advertising less as the years go on, as a percentage of revenue, not just because of increased sales, but because of limitations on budget.

I know in Minnesota our advertising has dropped about 40 percent because of simple increases in media costs.

Lotteries, in particular, post and publish odds for the public. No, we do not do it in electronic media, because there certainly isn’t time or room, nor do we think anyone can pick up 12 different sets of odds in a 30 second television commercial.

But we do go through great pains, and to great extent, to post in writing at the point of sale, and certainly the information is available to all who may ask, from headquarters.

Lottery revenues, contrary to some earlier testimony, are in fact put back into the economy. The state government is
not an exception to the economic rules, they are not -- revenues are not mysteriously removed.

The beneficiaries, we’ve talked a great deal about. Certainly there are a couple of episodes where revenues allegedly meant for one purpose were diverted by state legislatures. That is not the fault of the lotteries, is their prerogative to do so.

A dollar moved from one source to another still is a dollar, still has an impact in the state’s taxation base, and the economy.

Gambling effect does make up a significant aspect of the service sector. Lotteries employ directly about 7,000 people, but certainly indirectly many tens of thousands, if not hundreds of thousands more benefit at retail level, and through vendors and suppliers, from the sale of lottery tickets.

Retailers in North America earn over two and a half billion dollars last year in commissions.

All forms of gambling have, all states that have gambling are authorized, and certainly have a special responsibility to address compulsive gambling. Those under the age of 18, who may be particularly susceptible because they lack means and reason to work out the aspects of gambling, deserve our particular attention.

Education programs are badly needed, lotteries across the country are participating in this, as we speak. There is a small percentage of the public that suffers from compulsive gambling, or impulse control disorder. There is no doubt.

I would submit to you that it doesn’t necessarily matter how many, it matters that they get treatment, and they get assistance. In Minnesota we are very pleased to actively
participate in that, all funding, all two and a half million dollars this year for treatment programs and research in Minnesota does come from lottery funds designated and mandated by the legislature.

Probably the most uniformly agreeable thing between all forms of gambling in the Commission is that HMOs and managed care organizations failed to recognize compulsive gambling as something that needs to be covered under their plans, and that does exacerbate the problems for afflicted persons.

This is a matter for federal legislation under ERISA, and it must be addressed.

States react, sometimes slowly, to the need for funding. There are, however, to my knowledge very few other current sources. Not all gaming outlets fund equally, and we hope that some of our counterparts will catch up to the level of state supported programs for compulsive gambling.

More money needs to be put into research for impulse control disorders. Certainly the definitions have to be adhered to. Gambling does not cause compulsive behavior.

We certainly have heard today about a lot of other underlying mental health disorders, and addictions. But that does not excuse, nor is it even intended to. Where gambling ends up in our doorstep, we must take action.

Research into the general social and economic effects of gambling is still in its infancy. Much of what has been done, even some of which I saw today, is still methodologically unsound, and should not be relied upon.

The quality and quantity of research needs to be vastly improved in order to better guide state policy makers. More work
needs to be done, for example, in treatment procedures for women, youth, the elderly, and certainly people of color.

We, I hope, know now that a lower proportion of low income, and frankly of higher income people, play lottery than do middle income Americans. In Minnesota 43 percent of my sales comes from households over 50,000 in income. If we target anyone, that is who we target.

Lottery sales outlet locations is a very interesting topic. They are affected, the determination of where lottery store goes is more affected by zoning, population density, presence of workers, commuters and traffic flow, than anything else. Lotteries pick their retailers, generally, but retailers decide where they are going to be located.

And, finally, lottery advertising, in fact, is responsible. There have been some exceptions. Certainly the decade old, now, Illinois billboard, which did not say this is your ticket out of here, it was one of several hundred placed across the state, has been drawn up as a prime example.

Yes, lotteries have made mistakes in the past, we did not intend to make them, always, we have never intended to make them, but we are doing our best to amend our ways of thinking and approaches to current ways of thinking, and we are very responsive to what our state legislators tell us to do.

With that I will stop and entertain questions later or now.

CHAIR JAMES: Thank you.