CHAIR JAMES: With that I would like to open it up for discussion. Dr. Dobson? And I will not recognize any other Commissioners, you just jump right in.

COMMISSIONER DOBSON: Mr. Anderson, you made the point that gambling is popular, obviously. And that people vote with their dollars whenever they buy a lottery ticket.

Why would that logic not follow to the Internet, and why would that not apply on a national level?

MR. ANDERSON: Well, I certainly believe that if, in fact, people end up gambling on the Internet, that they may well have voted with their dollars. The problems that exist with the Internet, of course, are lack of regulation, proliferation, in-home playing, control over kids. There are a host of issues.

When we saw the Couer d’Alene tribe, for example, attempt to sell over telephone lines, it never really came to much success before the court decision. I’m not trying to imply that voting with your dollars is the means by which we are created, nor is it, in fact, the current means of approval.

By the way, there were 27 lottery states approved by a referendum, and many times since then, interim votes on continuation.

But, you know, voting with their dollars every day, I think implicitly states support for the enterprise.

COMMISSIONER DOBSON: I think Mr. Bible, or somebody over there made the comment before that that is very difficult, if not impossible for states to regulate themselves in regard to lotteries, because there is such a political incentive, and otherwise, to create the rules that are favorable to themselves. If not the state, who?
MR. ANDERSON: I disagree that states are unable to regulate themselves. Nevada, for example, gets 25 percent of all their state revenues out of gambling, and yet is able to effectively regulate with just a few gambling regulators.

Lotteries, on the other hand, get about one half of one percent of their state revenues, on average, from lotteries, or from gambling, generally.

COMMISSIONER DOBSON: Those are not state lotteries, though, they are private enterprises, right? When you are talking Nevada, you are talking private enterprise, as opposed to a state run monopoly.

MR. ANDERSON: Absolutely, but the dependence that is, I think, implied in your question, is one of revenue. Does the money blind us, is the state addicted to the revenue which it collects.

COMMISSIONER BIBLE: I think his question is one of independence.

MR. ANDERSON: Well, there is some comments, independence issue with regard to having the need for the revenue, certainly. I can assure you that my state is not dependent on my paltry 90 million dollars a year in an 18 billion dollar budget, but they do appreciate it, and they do use it effectively.

And, generally, a half of one percent of revenue by state is, I don’t think, of such substance and control that it can cloud the opinions of elected public officials, half of whom, or nearly half of whom are opposed to gambling in the first place. The other half of whom are at least critical of all
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1 gambling operations in their sense of fiduciary obligations to
2 their citizens.
3
4 So I see absolutely no problem with it. We face
5 hearings, you know, not every day, but very, very frequently, and
6 we face the scrutiny of a variety of people.
7
8 The oversight regulation and keeping honest, if you
9 will, the enterprises, is very paramount in their mind.
10
11 COMMISSIONER LOESCHER: I would like to ask Mr. Flyn a
12 couple of questions.
13
14 You would agree that federal regulation of the airwaves
15 and telephone wires, and the mail, probably be upheld in the
16 federal court system?
17
18 MR. FLYN: In certain cases it has, not always. In
19 fact, there was a case recently that dealt with the lottery and
20 the airwaves, and whether the federal government could prohibit
21 the advertising of lottery over airwaves that crossed across
22 state lines.
23
24 And it has been narrowed to where if the radio station,
25 say, is based in the state that has the lottery, they can
26 advertise, announce result, even if it crosses into a state that
27 doesn’t have a lottery.
28
29 If the radio station is based in a state that does not
30 have a lottery, they may not. So in some cases yes, it would --
31 you know, you can’t really tell how it would end up in a federal
32 court, it depends on the interplay.
33
34 COMMISSIONER LOESCHER: What is your opinion with
35 regard to the notion that there could be agreements state to
36 state, for instance, like in the powerball. In your opinion do
those kind of agreements avoid the interstate commerce clause and jurisdiction, or would a state to state agreement avoid that?

MR. FLYN: Well, there are a number of state to state agreements, specially within the tax administration, be it multi-state tax, compliance with sales and use tax, UDITPA it is called, on apportionment of income tax.

There are a lot of state compacts that in of themselves, of course, they would relate to interstate commerce. But just because they may have a relation to interstate commerce does not mean that the federal regulation is invited into that area. There is not federal regulation of those multi-state tax compacts.

And I think this would probably fall into the same category.

COMMISSIONER LOESCHER: You know I’m a proponent of sovereignty, and I really appreciate your presentation with regard to sovereignty. But I look at it from the tribal perspective, and the sovereignty issues there should be in par and parity with that of the state governments.

Do you believe that that is the case?

MR. FLYN: Well, I think with tribal, you know, that regulation of tribal affairs is reserved to the federal government in the Commerce Clause, so it is not quite -- they basically are equal to states in sovereignty in that issue.

However, the constitution does clearly enumerate to the federal government the authority to regulate Indian affairs, so it is a slightly different issue with the states. But they are on a par of sovereignty with the states.

COMMISSIONER LOESCHER: Thank you.
COMMISSIONER MCCARTHY: May I ask a couple of questions of Mr. Anderson?

Mr. Anderson, you indicated support for the Kyl Bill. The Kyl Bill has an exemption for multi-state lotteries in it. If it did not have that exemption in it would you still support the Kyl Bill?

MR. ANDERSON: I believe that one draft, at least, had an exemption for states, not necessarily for multi-play states. In fact there is an opinion from former Attorney General Humphrey that says intra-state Internet would be acceptable under state and federal law.

I certainly would, until the matter could be cleared up over regulation, and control, and access to the home. There may be ways within which it can be done.

I know of no lottery that is looking to the use of Internet sales. Obviously we have to address the issue, but no one is currently planning on doing it. It would be foolhardy in a political sense, if not in an economic sense.

COMMISSIONER MCCARTHY: What does that mean, could you just explain --

MR. ANDERSON: It means if that is what it took to pass the Kyl Bill, I believe there would be full support.

COMMISSIONER MCCARTHY: Removing that exemption?

MR. ANDERSON: Yes, if that is what it took to pass it.

COMMISSIONER MCCARTHY: So the states that have lotteries do support prohibit gambling over the Internet, is that a safe general assumption?

MR. ANDERSON: On the states. The lottery people to whom I have spoken, I cannot speak for state policy,
legislatively, generally are in accord that Internet gambling at this time --

COMMISSIONER MCCARTHY: Different subject, sir. We are looking at some of the negative outcomes of gambling and trying to assess the number of pathological gamblers that exist.

And we have done some survey work to determine how many problem and pathological gamblers, those who bet in lottery systems fall into that category.

Could you tell me, generally, of all the states that are in your association, how many of them have budgeted treatment programs to address that particular problem; or have you done any research to try to see whether your lottery players are seriously troubled gamblers?

MR. ANDERSON: The states generally have, by way of mandate, put money in a variety of different places. Not all of them have, I believe they are slow to do so, and hopefully it will be picking up shortly.

Minnesota does fund all the treatment centers in Minnesota, there are six, one of which is in-patient. In viewing the patients going through treatment, for about a five year period, through 1994 or '95, if I recall, just under 1,000 people went through treatment, eight were lottery compulsive.

COMMISSIONER MCCARTHY: Let me see if I -- I wasn’t too clear in my question. I understand there are half a dozen states that do fund treatment. My question was whether or not looking at lottery operations in 37 states, how many states that have lottery operations contribute at least something proportionate to their lottery revenue, something out of their lottery revenues
towards treatment in the belief that engagement in lottery betting produces at least some problem gamblers?

MR. ANDERSON: Lotteries are not enabled, not by law, to make appropriations. It is purely a matter of legislative intent. Whether it comes through general appropriation or otherwise, I don’t know the number of states that put money directly into treatment programs.

COMMISSIONER MCCARTHY: Because I know they don’t have the power to approve that money themselves. I’m talking about recommendations from the governor of the state, of the 37 states, or from the lottery, the people who sit on the lottery boards. Does anybody make a recommendation that we have to address this negative outcome that is, in part, produced by the operation of state lotteries?

MR. ANDERSON: I believe that if asked, and certainly I have been and have responded, all lottery directors would make such a positive recommendation for support. Not all lottery directors are, of course, asked.

I am, I think, known as a fairly strong proponent and argue for funding for compulsive gambling treatment, education, and research, the three components. I also argue that in the absence of other funding sources it should come from the lottery. 100 percent of it is in Minnesota.

I wish that it were otherwise with our casino operations, and our 1.4 billion dollar gambling operation. But they simply do not contribute. But the importance is to get the treatment and the education and the research, not to quibble over where the money comes from. COMMISSIONER MCCARTHY: In the letter we sent out some months ago to all lottery directors we...
asked the question of them whether there are state funded

1. treatment programs for pathological gamblers in your state. We
2. will have to get the numbers, but we are also doing some
3. additional research. Perhaps we could be in contact with you?
4. 

MR. ANDERSON: Certainly.

COMMISSIONER MCCARTHY: Thank you, sir.

COMMISSIONER MOORE: Just a simple question. Why, in

your opinion, do you think that a rich state like Minnesota, with

an 18 billion dollar budget want to fool around with a lottery?

MR. ANDERSON: I wish I could say it was as simple as

Wisconsin did it first. The fact of the matter is that it

shocked a lot of people in Minnesota.

I once appeared in front of a Senate Committee and I

made the announcement, Minnesotans love to gamble. There were

two inch black headlines like Kennedy assassinated, and I was

held up for some ridicule.

I have done it each and every year since in the same

committee, and yet, of course, no response. Minnesota has about

an 1,100 dollar per capita rate of gambling. It is among, if not

the highest in the country. We have 17 casinos, a billion dollar

charitable, little tiny horseracing, and a very small lottery.

The fact of the matter is that lotteries are perceived

to be fun, they are non-tax sources of revenue, the public voted

on it, and they voted overwhelmingly to do it, and the

legislators -- I was not there at the time, but I have read about

it, in fact resisted it and eventually were forced to pass it by

virtue of the public vote.

It has been very successful, and is extremely well

received today. It is fun, is the main reason, something to do.
COMMISSIONER WILHELM: Just for clarification, the 17 casinos to which you refer in Minnesota are Indian casinos, correct?

MR. ANDERSON: Yes.

CHAIR JAMES: I do have a point of clarification on the police chiefs perhaps being locked out. It was the New Orleans meeting, and they may have been, because the hotel was flooded, and nobody could get in or out. I have no idea what that is referring to, but we did close that meeting early, because there was six or eight inches of water in the lobby of the hotel -- 18. Yes, my last sight of Dr. Dobson was in bermuda shorts heading across the street wading through water.

I don’t know, but if there is anything --

MAYOR GRIFFIN: I will find out, I’m passing on the comments and concerns that were expressed on January 28th in Washington from the mayors on the taskforce. I was not there, and don’t know it. I will happily find out myself, it is not my intention to come here and say something that turns out to not have been true.

CHAIR JAMES: Since I’m told the police chiefs were refused entrance, and in fact were locked out of a meeting in New Orleans, and all I can say is that maybe they couldn’t swim, I don’t know.

COMMISSIONER DOBSON: Mr. Anderson, do I understand your position is that the HMO should provide the treatment for pathological gambling, picking upon what Commissioner McCarthy said?

MR. ANDERSON: HMOs, I sat in a hearing where a major Minnesota HMO said, it is something created by the state, we will
not pay for it, and they do not. And the treatment for providers are, in many cases, forced to lie, and come in with other diagnoses, or to get the dominant, if it is dominant, compulsive gambling aspect treated.

They will not pay for in-patient treatment, they will not pay for treatment programs that are afforded by the state, the state pays for those. I think it is unconscionable that they do not cover -- where they would cover eating disorders, where they would cover depression, where they would cover other issues regarding impulse control disorders.

And this is a medical issue, this is something that they need to be forced by federal law to cover. It is just unconscionable.

COMMISSIONER DOBSON: It is a choice, however, right? Those who choose to gamble and then get into difficulty with pathological problems are then asked, at least the public is being asked, who did not choose that, perhaps, to pay the bill for it.

MR. ANDERSON: Well, it is certainly the same arguments have been made over the years for alcohol and cigarettes, and drugs, and a whole variety of other things. These are generally covered.

But I suggest to you that much of the underlying reasoning behind actions leading to compulsive gambling in fact are other issues, like depression, like unresolved grief, like abuse. There are many other issues that are both psychological, and late evidence is churning out, quite probably base medical issues involving chemical disorders, organic disorders.
And I think these issues need to be worked on, need to be resolved. Gambling, I think, in most professional’s opinion, does not cause the compulsive behavior, it is the outlet or event through which that behavior evidences itself, that makes it part of the state’s problem, and certainly something that needs to be addressed.

But the underlying root cause of the compulsive behavior needs to be treated and paid for as other medical conditions are.

COMMISSIONER DOBSON: The question is which caused which, which came first, the chicken or the egg.

MAYOR GRIFFIN: Certainly to some of the causation and correlation discussions we had earlier, I began to wonder if divorce caused bankruptcy, bankruptcy caused divorce, or bankruptcy caused gambling, or divorce caused gambling, or gambling caused divorce, or gambling caused bankruptcy.

These are very difficult and interwoven things, which I don’t know if we can resolve. But let’s concede that there are some cases probably going both ways, and probably a lot more in the middle.

CHAIR JAMES: Other items of discussion or questions?

I would also like to remind our invited guests, who are seated at these tables, that you are absolutely invited to participate in the conversation, if you have a point of clarification, if you just raise your hand, I will make sure that you are recognized, because we want this to be an inclusive conversation. Yes?

MR. WHYTE: Although very little research has been done on cost effectiveness of treatment for pathological gambling,
figures developed for alcoholism and drug addiction may be used to perform a rough cost/benefit analysis.

The conclusions are compelling. A study of drug and alcohol treatment in California showed that each dollar spent on treatment saved approximately seven dollars in other costs.

many of these costs are passed on to taxpayers through increased costs to the criminal justice system, public and private health programs, to employers as well as families.

Because pathological gambling is rare, removing the discriminatory exclusion of this accepted mental health disorder will not only allow problem gamblers and their families access to health care services, but will provide cost savings for states, and ultimately all taxpayers.

CHAIR JAMES: I would like to ask the Commissioners if there are additional points of clarification, or additional information that as we go into our final deliberations on this issue, you would like to ask of these or any other organizations. Is there anything that the staff can compile?

COMMISSIONER BIBLE: When will we get the complete picture of the lottery data that is being compiled for us via contract, do we know? We tried to ask earlier, but I’m still uncertain as to what we are going to get, and when we are going to get it.

DR. KELLY: It was due January 31st. We are still working on getting the final product. There was a delay in getting some of the data in from the states, and that is what --

COMMISSIONER BIBLE: -- to them, but it seems to me that we operate, to some extent, in a vacuum in the absence of
having all the totality of the data in front of us as we start
deliberating.

CHAIR JAMES: That’s right.

COMMISSIONER BIBLE: It is a disadvantage.

CHAIR JAMES: Dr. Kelly, in your conversations with
them, do you have any indication of, are we looking at one more
week, two more weeks, three more weeks?

DR. KELLY: The end of this month is what they have
been pleading for.

COMMISSIONER BIBLE: Well, luckily it only has 28 days.

CHAIR JAMES: Unfortunately it is a short month.

Again, Mr. Flyn, Mr. Anderson, Mr. Griffin, thank you
very much for being here, and we really do appreciate your input.

And, again, I would like to say that the organizations
that have not -- that would like to still submit testimony or
recommendations, we are absolutely open to receiving that kind of
information.