CHAIR JAMES: Thank you very much. With that I would like to open it up for discussion, and to encourage interaction among our panelists as well, and to invite those of you who are invited organizations to please feel free to use the microphone that is provided for you to participate, as well.

COMMISSIONER LEONE: I have a couple of questions of the NCAA representative, because I’m sure you have thought about this a lot more than we have. In these discussions of a wide variety of gambling activities, one of the arguments usually used is that there is not much you can do to limit it, if people really want to do it, they are going to do it.

I always find those arguments a little -- I mean, people are going to commit murder if they really want to, but that doesn’t mean we shouldn’t make it illegal. But nonetheless it comes up, and there is no area I can think of where the problem is as persistent, and where the actual outcome is as confusing, at least to me.

I know that the NCAA and the professional sports organizations have all opposed gambling on games, for obvious reasons, ultimately they might erode the integrity of the game.

But it also seems, from common knowledge, that gambling goes on on a broad scale, regardless of this and regardless of its illegality.

And I would just like you to reflect with us a little bit on what the lessons are of, I presume, decades of trying to deal with this conflict, the dissonance between the real world and the world you are trying to shape.

MR. SAUM: Well, I think it would be fair to first say that geez, the problem is so overwhelming, and most of society
accepts it, and they view it as a victimless situation, let’s move on.

Certainly the NCAA is concerned about the integrity of our games, but the primary reason we are involved in this is for the personal integrity, and the personal safety of our athletes.

And I won’t go on and on with the experiences that we have had, just in the last two years. But we have first-hand experiences of athletes being threatened, of college regular students being threatened because of their debt, because they haven’t paid.

We have a bookie in a particular case, who had been transported to another city, another metropolitan area, because that student bookie was not operating his business correctly, and he was physically harmed.

We can make a difference. We are starting to make baby steps forward by merely talking about it. I think the NCAA, and I as a person receive no credit for this. It is our President, Cedric Dempsey that deserves the credit.

I think we have taken an interesting angle. We stepped forward and said we have a heck of a problem. And we are talking about it. We haven’t tried to spin this thing. We have a major problem on our campuses, we can remove the -- if we can take action with the student bookies on our campus, if we can convince our students and our student athletes that the activity is illegal, and that they should not accept it, we can convince our college presidents, convince our student affairs officers, I believe that that is a first step forward.

By just talking about it our athletes now understand the importance of the entire issue, and they understand that it
is illegal. I would say to you that three, four, five years ago, because we weren’t doing our part, that possibly our student athletes didn’t even know that laying a 20 dollar wager with a student bookie in the frat house was a violation of rule, or illegal.

Today, I don’t want to exaggerate, but today I really feel comfortable saying to you that our athletes, not all 300,000, but I would tell you that the large majority of them know that it is a violation of our rules, and they know that it is an illegal activity.

MR. NESTEL: Can I just follow up? I think the strongest message that this Commission can send is that recognition of a problem among college students and youth, the gambling research, while not comprehensive every research study shows that college students are the most susceptible to problem in pathological gambling in all age groups, and that while it is widespread, and certainly socially acceptable, and we have ticked off sport touts, and we have ticked off the administrative and maybe even casino advertising coming down the pike about sports gambling, the issue here is, though it is acceptable, there is problems bubbling under the surface, maybe like binge drinking was ten years ago.

And that we have found that our administrators, not just athletic administrators, but the college administrators on campus don’t recognize this as a problem, it doesn’t smell, it doesn’t -- a lot of this now with Internet gambling can go down privately behind closed doors. And it is hard to recognize.

And so the message that can be sent here is that we need to raise awareness. Bill has done a tremendous job in doing
that, but because it is socially acceptable doesn’t mean there aren’t problems that are associated with this activity.

CHAIR JAMES: Well, I for one, would like to commend the NCAA for the work that you have done, and for bringing this issue forward on college campuses, and looking at all the data we know that if there is, indeed, any issue with adolescent gambling it is in sports wagering, that is what the things told us yesterday as we looked at the data yesterday. It seems like you are being very aggressive in that area.

COMMISSIONER LANNI: I have a few questions of Mr. Saum, if I may. You are an association. Is it a -- how are you -- are you organized as a limited partnership, what are you? Just an association? Non-profit?

MR. SAUM: Yes, sir.

COMMISSIONER LANNI: Not for profit?

MR. SAUM: Yes, sir.

COMMISSIONER LANNI: And your association, your funding comes from the individual members of the universities and colleges, I presume? MR. SAUM: There are membership dues, but they are very limited, Commissioner. Primarily our funding comes from our CBS basketball contract, the few weeks in --

COMMISSIONER LANNI: Fair enough. I hate to guess why CBS does that, but that is a separate issue. If you didn’t have the gambling aspect, I wonder if they would, I don’t know.

One of the issues that I would have is that you are asking here for a fair amount of money that we would be requesting, in effect, for studies and other work on the behalf of the federal government.
It seems to me that maybe it is appropriate here that God helps those who help themselves. My question is, what do you do with your individual members? I mean, wouldn’t it be logical to have a requirement, to be a member of the association, that a university or a college that was a part of the association had a program in place that dealt, right first-hand, because you certainly have a much better chance dealing with college bookmakers on the campus.

Now, I have served on two different boards of trustees as chair of the board of trustees of a university, and a member of another one. And I always found the requirements of the NCAA, when it comes to this aspect were -- I will be kind, and I say minimal. They were basically non-existent.

And that always bothered me, because I think you have a much better chance to deal with this problem. You are never going to eradicate it, I think we have to accept that. But you have to deal with it in the most forthright manner possible.

I would think that the NCAA could have a requirement from the body that makes these decisions, that for membership to be maintained at the proper level that, for example, you go after people on recruiting violations, and suspend them and what have you. What if they didn’t have a program in place that dealt with this, that was satisfactory to the overall body? I think that if you looked within your own organization to create some safeguards at the first and primary level, we would be better -- I think I, as one Commissioner, would be much more willing to support federal funding to help that particular process.

And you indicated the NCAA was willing to come to the plate. Well, I assume that you can’t come to the plate with
funding, although I would think you could go back to your
individual organizations, member organizations, and ask them to
fund some studies.

I mean, it is always easy for all of us to ask the
federal government to put more money out. When they put more
money out, it is our money. And I really do recommend,
sincerely, that you go back to your own organization and members,
and ask them to participate, I would make it a requirement, very
frankly, that they have to have a program in place to maintain
their membership. And if they don’t have a program in place to
deal with student athletes gambling or students gambling, or
bookies on campus, all the studies in Washington will never allow
that to be done away with, but you would have a much better
chance if you do it at home.

I don't mean to be giving you a lecture, but –

MR. SAUM: I think those are all very fair thoughts. May I share a couple back?

COMMISSIONER LANNI: Surely.

MR. SAUM: The NCAA, for the past 50, 55 years, has
always cared about the issue of gambling, but in September of '96
they created the position which I'm fortunate enough to sit in.

In November they promoted that position to a
mid-management level position within the association. There is a
budget only for the issue of gambling. That budget is being
proposed to triple its size this year. I don't know if it will
end up there. But we are proposing to triple its size.

We are also proposing to add staff to the issue of
gambling. We are willing to step up to the plate with money. It
will not be substantial sums of money, it will be more money than
we have ever spent in the past.

We also presently make several demands of our
membership in regards to something so simple as just the rule
that we continually share with you, but also with policies and
procedures. And our own membership is really taking on this
issue of gambling.

We have had, the University of Tennessee, Knoxville, in
August hosted a seminar on their campus where 125 schools came
and the University of Tennessee funded that with corporate
partnerships.

The University of Connecticut will have one on April
the 7th, where all the east coast schools will attend. Your
points are very well taken, and we would be remiss if we weren’t
providing our own funding, providing our own manpower, or
providing our own policies and procedures.

I’m not saying they are enough, they are not. Are we
behind, yes. But I think we are doing something.

CHAIR JAMES: How would you address Terry’s specific
point about the NCAA having, as a part of its requirements for
member organizations that they have programs and policies, and
enforcement in place?

MR. SAUM: That is -- while not specifically as stated,
I can’t say we presently do it. But in a number of ways we do
address that issue. At the present time there is a working group
that is studying division one men and women’s basketball. And
there is a gambling subcommittee.

And the president of Ryder College is the Chairman of
that subcommittee, and we had our first meeting, and he has
directed the staff to develop an educational tool box that would be delivered to every institution in America, and that they would then be required to implement the tools, and the educational program, different for coaches, different for freshmen, sophomores, juniors, different for student managers, etcetera.

So that is in the planning stages. We have a certification program that all our institutions must pass the mustard, so to say, over many different issues, financial aid, enrollment, diversity, title 9, etcetera. But part of that also is the issue of gambling.

But certainly our institutions’ feet must be held to the fire.

MR. NESTEL: If I could also just interject. We are asking for some government funding, and we were proposing that. I think the reason is, is because when we started to look for the hard science that revealed that gambling was a problem, there are studies out there, and they are all pointing in the same direction. However they aren’t anything really comprehensive.

COMMISSIONER WILHELM: If I might. You guys are uniquely positioned to do something about that. I mean, I would associate myself with the Chair’s commendation of the NCAA’s efforts in this regard, I agree with that. And I would also associate myself with Commissioner Lanni’s suggestion with respect to specific requirement of membership in your organization.

But you represent America’s colleges and universities which are, by a considerable margin, the location of most of the research capability of this country. It seems to me that in view of the fact that your sports programs are the principal generator
of the betting problem that you are talking about, and I don’t mean by that to blame your sports programs.

I don’t bet on college basketball, but I’m a college basketball nut, so I’m not suggesting that that is your intent, or anything like that. I don’t want to be misunderstood in that regard.

But the fact is, as you know, your programs generate most of this betting. So, you know, to me it is an analogy with the legal gambling industry. I don’t happen to believe, for example, with respect to casinos that the casino industry sets out to contribute to the compulsive gambling problem, but the casino industry albeit belatedly, is stepping up to the plate with respect to recognizing that that is one consequence of their activity, just as sports betting is one consequence of your activity.

And they are beginning to do something about it, they have established a center for responsible gaming, along with some of the machine manufacturers. My own view is there ought to be a lot more money from a lot more companies in it, and I also think that other parts of the legal gambling industry ought to similarly step up to the plate.

But, you know, they are on that track. Colleges and Universities of America are in the best position, the institutions to deal with the problem that you are describing, that there is not enough knowledge.

And it would seem to me that the NCAA really could take the leadership in getting your member institutions to treat this as a research priority, and I don’t see why they need to go to
the federal government. My goodness, your institutions have massive research capabilities.

And I don’t mean by that that they have extra money laying around, colleges and universities, for the most part, are squeezed in this country, financially. But they have the ability to find research money when they institutionally concluded that something is important.

So it would seem to me that not so much in the area of the NCAA funding this kind of activity, which doesn’t seem very realistic to me, but rather in the area of pushing this issue with your member institutions, get them to do the research. There is an enormous vast amount of research needed in this area.

MR. SAUM: That is very fair.

CHAIR JAMES: As a Dean at a University that has to raise money, I can tell you, I wish we had a football team. A winning football team, that is right.

And just knowing the amount of financial resources that sports generate in a college, and in a university environment, while you are to be commended for the educational opportunities that you are affording on this particular issue, on college campuses, we could be a whole lot more creative, I think, in my mind for looking at ways of attacking this particular problem. Particularly if we are coming from colleges and universities.

COMMISSIONER BIBLE: To what extend do you think sports wagering creates demand for the product you sell the broadcast rights of amateur athletics, and broadcast rights of professional athletics?

MR. SAUM: Commissioner Bible, we -- first of all there are no studies, that we are aware of that at the NCAA, and in my
conversations with the professional leagues that indicate either
way, first of all. So I think the best we can do is give our
experiences and personal thoughts.

We do not believe –

COMMISSIONER BIBLE: Wouldn't that be something you may
want to study, because you may be able to eradicate the problem
just by cutting off broadcasting?

MR. SAUM: I don't think Las Vegas would want that to
happen.

COMMISSIONER BIBLE: I'm sure they wouldn't. I'm just
curious.

MR. SAUM: We do not believe that our ratings during
the NCAA tournament are based on gambling. We do not believe
that. When we –

COMMISSIONER BIBLE: You don't believe that, but you
don't have any empirical evidence?

MR. SAUM: No, nor does the gambling industry have any
academic evidence that indicates that our ratings are based on
gambling, either.

COMMISSIONER BIBLE: Yes, because to some extent the
gambling industry helps you. I can think of at least one example
where they notified you about line changes or something funny
going on, and they discovered some problems, and you are now
monitoring, I think, line changes routinely in your offices.

MR. SAUM: The NCAA has absolutely no desire to get an
eighth of a TV rating off of the gambling industry. The
relationship that we have with Las Vegas is one that we talk
about openly. If we are going to battle this problem we need
everyone's assistance. We help Las Vegas, Las Vegas helps us.
We have a computer right in my office that monitors the line, and you know better than the rest of us how we can work through that if the line changes.

We have relationships with Vice Presidents of -- and sports book directors that we can call and make contacts with. I care not to share who those folks are. But, yes, we do have relationships and we are not afraid to say that we do. And we, again, are in this to protect the safety and integrity of our kids, and the integrity of the contest, and when needed we will use that.

COMMISSIONER BIBLE: Because at least from my opinion, I think a lot of sports wagering is essentially harmless. I think if it takes on a different character when it is conducted on campuses, when it is done by youth, when it affects players, and when it becomes a commercial activity that is unregulated and untaxed, then I think it becomes a problem.

But I think wagers between friends and things of that nature, I mean, I can’t get too upset over that.

MR. ANGEL: We are, again, directing our attention to the youth. And even the legal sports wagering is a concern for our youth, because what we are seeing, Daniel alluded to it, is this binge behavior.

Our students live in a protected society on our college campuses. And their behaviors during those years is different than the years as soon as they leave. Some students grade out as alcoholics while they are enrolled in colleges. But the moment they leave and enter the professional world, they are no longer alcoholics.
So we are concerned about sports wagering for our youth, and of course, philosophically we are against all sports wagering, because we believe we should just watch the game for the spontaneous action and reaction.

COMMISSIONER BIBLE: Do you have any office pools at the NCAA offices?

MR. SAUM: That is a fair question. And as one of those people that grew up despising that perception is reality, I now believe that perception is reality. And two years ago the NCAA always had a bracket selection, never a pool to put money in, never had money put in it.

Two years ago we canceled the organized bracket selection because of the perception was we had a pool. So the answer to your question is a resounding no. And that is a violation of our rules, so that should not be occurring on our college campuses, either.

COMMISSIONER MCCARTHY: Mr. Saum, I want to thank you and Mr. Nestel for coming here today and providing some specific recommendations in response to my request, after you testified in Las Vegas. I think it was Las Vegas, wasn’t it.

And I would like to thank Mr Dempsey for showing some leadership in this area. It is obvious that something has happened in the last three or four years in the NCAA leadership that is recognizing this problem, and trying to move on it, after a long period when, despite scandals nothing was being done.

We are faced on this Commission with a rather huge scale of problems and what we finally choose to recommend to Congress, of course, as they face their own huge scale of a wide
range of different kinds of problems, and not just gambling, has
to be pretty compelling to persuade them to act.

And you can tell from some of the questions you received so far, that this is true. So I would certainly be willing, as just one member of this Commission, to take very seriously some of your recommendations about changes in federal law, or state law, or whatever was relevant.

But as Mr. Lanni was suggesting, anything that the NCAA could do to establish it is breaking its neck to try to stop sports betting, any form of gambling that is going on among students, would certainly reinforce any case that was attempted to be made before Congress.

So let me ask you these couple of questions. I don’t know what your data base is that you keep now as far as sports betting on campuses that are affiliated members of NCAA. How good is the data base that you keep as far as a recordation of betting incidents gathered from law enforcement sources, from the observation of individual campus management, people, how good is your data base?

MR. SAUM: I would say that it is average, and it is because it is still in its infancy, because we have just been in this business since ’96. We have developed relationships with the FBI, we held a two-day seminar this past summer, the NCAA hosted it, paid for it, for 60 FBI agents and spent two days only on sports wagering.

I mentioned attorney general Reno’s advisory council that we visited with. We are in communication with the state attorney generals. I’m just starting to step out with some of
the state gambling regulatory agencies, and developing relationships with those individuals.

We are very close with the pro leagues who have security reps in each city, and we are developing, we are going to -- we each are going to contribute significant funding for a year 2000 security summit that will address gambling issues. So average.

COMMISSIONER MCCARTHY: With a data base, I know you appreciate, it would be much easier to persuade the leadership of individual campuses within the NCAA to grant some rather far reaching authority.

Let me ask you, if you find pervasive and repeated violations, gambling violations of NCAA rules, on a specific campus, what is the worst punishment you can mete out?

MR. SAUM: Well, in regards to a campus, an institutional punishment, we would be charged with determining whether the institution knew, or should have known it was going on. And I’m sure what comes to mind, for many of you is the issue at Northwestern University, because they had two point shaving cases, in a matter of about 15 months.

There -- as easy as it is for a columnist to write a story saying they should have known, they actually, to us, are the prototype of how to conduct an investigation. Within 12 hours of discovering that there were allegations about athletes wagering, they had hired outside legal Counsel who was a former AUSA, and did a complete investigation, turned it over to us, and the United States Attorney, and but for Northwestern doing that, we wouldn’t have those cases as we sit here today.
COMMISSIONER MCCARTHY: Yes, I wasn’t so much thinking about Northwestern. There have been incidents at a number of campuses around the country. But if you have a body, a procedure that says you are expected to establish this procedure, a violation will lead to this. Repeated violations will lead to this.

Going so far as to kick them out of your organization so that they couldn’t play football, or some other sport, with any other sports team that was a part of the NCAA?

MR. SAUM: On an individual basis we have a policy and procedure for both our athletes and our coaches. There was division 3 men’s basketball coach suspended for 50 percent of the season this year because he wagered approximately 350 dollars.

We have the precedent that I would be happy to provide to the Commission in regards to athletes who have been suspended since 1995. I can go back as far as you wish, actually, but the data is most impressive since ’95, because we have increased our investigations, and because we have also increased the penalties. If you bet on or against your team you are done playing in the NCAA. If you bet three or four, or five hundred dollars, you are done for half the season. And if you get up into the thousands, you are done for a year. Each case is evaluated on its own facts and merits. But generally speaking what I just said occurs.

COMMISSIONER MCCARTHY: Is there any thought given to actually disenfranchising an entire campus for any serious violations, or repeated violations?

MR. SAUM: Our enforcement procedures and policies allow us to take action if we prove the institution knew or should have known, or if there was a -- if the administration or
coaches knew or should have known. To date we have not proven that.

COMMISSIONER MCCARTHY: This all gets back to what kind of a data base you keep and what, at least, a pretty good outline of which you share with all campus officials as to how pervasive sports betting is on so many NCAA campus.

Without that you are not really in a position to impose very heavy penalties. It seems to me that if you kick an entire team out of a sport for a full year, that is going to ring a lot of alarm bells, and it is going to get the attention of a lot of campus officials.

MR. SAUM: This working group that I mentioned about basketball, the gambling subcommittee, is currently evaluating. I have no idea where they will end up, but they are currently evaluating zero tolerance.

And finally, Madam Chair, if I may, I learned a long time ago that I can create a Christmas list, but when I wake up in the morning, everything is not there, and it is still a wonderful day. So let’s not get hung up on the research.

COMMISSIONER MOORE: Following up on Mr. Lanni’s suggestion, most colleges, you know, they give most anything to belong to the NCAA. I mean, they cherish that, that is big money, specially if you are a basketball team, all you have to do is go to one game in the NCAA tournament, and you get some pretty good pocket change.

So following up on his suggestion of making it a rule, I mean, making the requirement that they enter into a program like this, to belong to the NCAA, I believe all of them would join. I don’t believe a one of them would not join.
I mean, maybe some of the smaller, I just don’t believe that they wouldn’t, because the smaller ones are trying to get in, they think that they are going to get to the basketball tournament.

Now, if you go ahead and carry that a little further, there is also a suggestion by Mr. Wilhelm here about the research capabilities. You know all of the presidents and chancellors, you deal with all of those, with all the universities, you know them almost as well as you know the football coach because of your institution knows about it.

You know, you people put my school on probation several years ago. We put ourselves on probation. I mean, we deserved it. So everyone knows you, Alabama knows you, SMU really knows you. And so I think that these people -- I mean, I like this suggestion. I believe that these people will do it, and this may be the answer to all of this.

I don’t think there is any more gaming probably on athletic events by college students than there are in the office pools. You know, they learned this from their daddies, they learned this from their mothers, and this would be a way to educate, because as you said they are going to be out of college, and I don’t believe there are as many of these people running around betting, because they have to bet with their own money when they get out, and now they are betting with my money, my kids are, you know? But when they get out working, they are betting with their money, and I don’t think there is that much going on, drinking as well. All of them in college, you know, drink good whiskey, and when they get out is too cheap.

CHAIR JAMES: We have a comment over here.
AUDIENCE MEMBER: I just wanted to make a comment about research. The National Center for Responsible Gaming does have youth and college age as a priority. Five of our 19 currently funded projects are focused on youth, but none are really focusing on college age, even though we asked for that in our request for application. So we would love your help.

You know, when I put the request out, I go to all the major research universities, I try to go to all the professional associations, but a word from you all with the administrations of the major research universities, because it is so much easier for them to do these kinds of experiments, because their human subjects are right there.

We would love your ideas, also, for what kinds of projects you think would be helpful. Since we are both in the same -- are you still in the Kansas City area?

MR. SAUM: For a couple of months.

AUDIENCE MEMBER: Okay, we will have lunch before you move to Indianapolis, okay?

COMMISSIONER BIBLE: Do you have any sense as to the extent of organized crime’s involvement on sport wagering on the campuses?

MR. SAUM: Commissioner Bible, when I accepted this position in September of ’96, I traveled the nation to become educated. And spending time with law enforcement, I was told the following, and I will keep it brief, and then I will give you a first-hand example I was told that every student bookie in America is connected to organized crime in some way or fashion. We are not saying the students are mobsters. We are saying that
where they lay their handles off, or the people lurking on the
outside observing, are connected to organized crime.

   In the Boston College football case, which was not
point shaving, it was just betting, there were eight student
bookies arrested. There were more than that on campus, but those
were the eight arrested.

   Those individuals reported to an adult in Boston. That
adult in Boston reported to an individual in New York with ties
to organized crime.

   One of those student bookies is the one I referred to
earlier, was not running his operation correctly, sent to New
York, and nearly murdered. We do believe that there is a great
organized crime influence involved in this.

   In regards to law enforcement, I am no expert on the
FBI, but what I’m told is that years ago they attempted to fight
organized crime from the bottom up, and sports wagering is the
major fundraiser for OC.

   So they would take that away, and they thought that was
the best way to fight organized crime. What we see now, though,
is their theory is let’s cut it off at its head. So instead of
working up, and starting with the sports wagering industry, they
are taking a different tact.

   COMMISSIONER BIBLE: And that is the one area that
certainly sport wagering gets out of the area of being fun, is
when it gets involved with organized crime, and you have
situations like you described.

   MR. SAUM: Yes, sir.

   MR. FAHRENKOPF: It seems to me one of the most
expensive parts of dealing with this problem is public awareness.
How do you get the message out. You people enter into contracts with all the major television networks, whether they are televising football, or basketball, or other sports.

Why not have a specific portion of your contract, a provision in your contract requiring CBS, NBC, ABC, to have public service announcements speaking directly to the youth of this country about the dangers of sport betting?

MR. SAUM: Frank, I think that is an excellent point, and last year we -- we spent 25,000 dollars a year on creating videos for our men’s basketball programs, and we shrunk that ten minute video down to about a minute, and last year we showed that as a PSA during the NCAA tournament, and Jack Vaughn the great point guard, used to be with Kansas, was one of the speakers in there.

But your point is well made, and we are preparing another PSA for this March tournament. I would also share that we have a poster, a big large poster saying “don't bet on it”. Well, we made that into a slide and we sent that to all 1,000 of our schools, and asked them to put that in their media guides, and their press guides, and to put it in their game programs.

So your point is well made. Can we do more? Absolutely, we can do more. Can we be more creative? Yes. This is not an excuse, but this is a journey that we are on, and a journey never ends, and we are not even at the mid-point of this journey, so we will continue to take those ideas, and yes, we need to do that.

CHAIR JAMES: Will you?

MR. SAUM: Will we do it, the PSAs?
CHAIR JAMES: No, no. Will you do what was just recommended in terms of when you are negotiating contracts with major networks, have as a part of a contractual process that they will be required to do PSAs on youth sports wagering? MR. SAUM: We presently -- I will answer your question directly. We presently in our CBS contract have an agreement that X amount of minutes during March, the March madness tournament, must be dedicated to PSAs. Those PSAs we determine what they are.

So I can assure you there will be gambling PSAs. While I’m appreciative of sitting before you, I’m a mid level person.

CHAIR JAMES: You know, when I asked the question I knew that.

MR. SAUM: We will send it on. We will send it on.

CHAIR JAMES: Well, see, you can go back and say the Commission really beat up on me and said we have to do this, and –

COMMISSIONER BIBLE: I think the idea is an excellent idea, and I suggest that the Chair perhaps the NCAA and –

MR. SAUM: We are receptive to that idea, absolutely. We are very receptive to that idea.

COMMISSIONER LANNI: I would ask the chair to include the other points that Mr. Wilhelm raised, and that I raised, also.

CHAIR JAMES: Absolutely, I will do that and circulate the draft among the Commissioners.

COMMISSIONER LANNI: And maybe if it is all achieved we can recommend a promotion for Mr. Saum.

MR. WHYTE: I also would just like to add from the National Council's perspective, there is another way, working
through the existing organizations in the non-profit arena, we have worked with the NCAA. But those contracts don’t have to be negotiated directly with CBS, they can be through the existing non-profits.

Unfortunately we don’t have any money to buy these contracts, but through in-kind donations, these are the kinds of things that the National Council, and State Councils are active in doing, and they are trying to do, and by working with the NCAA and others, we already have these PSAs developed, we just simply can’t afford the air time.

But by working in cooperation with other groups we think that these kinds of ventures are possible.

CHAIR JAMES: So you are going to have lunch with her, and then you are going to have lunch with him, and get this done.

COMMISSIONER LOESCHER: I would like to ask Mr. Angel a couple of questions. I’ve sort of been studying, for quite some time, this internet thing, and it intrigues me. There is not enough information, and there is a lot of issues identified, but there is not very many answers or solutions that have come forth.

One of the puzzling things that I get reading the material, and what not, is there is always a lot of talk about foreign based Internet gaming, offshore people wanting to do their business in the United States.

And I’m wondering, you know, if there was to be Internet gaming could we preclude the offshore and just base Internet gaming from the United States, within the states, or within the barriers of the United States, and control it that way?
MR. ANGEL: I believe the answer is yes. The observation has been made, by most of the witnesses here, that once responsible regulated companies enter the internet, they will draw the largest portion of market demand.

There is clearly interest by those regulated companies, what hasn’t happened is there hasn’t been a regulatory mechanism to start the process.

Now, there is a variety of interactive forms that we can conceptualize. As you know Powerball is a multi-state operation. The ability to purchase tickets on the internet is just an extension of that concept. I don’t know if that would trouble you, but it is possible.

COMMISSIONER LOESCHER: A different question in that regard is licensing. You spoke, generally, of licensing in your presentation today, but I didn’t have a clear understanding of where you thought licensing should begin.

In my mind’s eye the states might have a role in licensing probably in the first instance, then we have the federal agencies with communications, telecommunications, and government enforcement, and what not.

But how do you envision a licensing system that could occur within the states or the United States?

MR. ANGEL: Under the model that we have proposed, licensing would begin primarily with the states, as they have been the primary regulators and licensors to date.

In foreign countries, national bodies occupy that role. In certain foreign countries, there are state apparatus. For example, Australia, where the different states and provinces also do their own licensure.
Where we see a role for the federal government, is essentially establishing minimum standards, and operating as a vehicle to orchestrate enforcement by the states, and with specific reference to off-shore operators who are not present in the United States, and not licensed within the United States.

COMMISSIONER LOESCHER: You make the case against prohibition, and you beg for the notion of investigating a regulatory scheme. And you make the case that this probably should start at the states level, within their public utilities Commission, or whatever.

Is there a model, you know, we have seen model laws, model ordinances, model statutes, is there models from other places that would give us a beginning point to look at a regulatory scheme starting maybe from the state level?

MR. ANGEL: Yes, I believe there are. They exist today in the context of traditional regulation of gaming. Once again, the emphasis here is we are regulating the operator and the gaming product, we are not regulating the internet.

Where we can bridge into the internet is to create cohesion among the regulatory authorities, so that the vehicle of the internet is not misused, and responsibility rests with the regulators who are doing the licensing.

Now, there are -- there is a pecking order in the regulatory community, and the stereotype is that the third world nations that are looking for revenue have flimsy, if no regulatory apparatus whatsoever. But I don’t believe that any of you would really dismiss Australia as a competent regulatory authority, and when Australia began to develop its own interactive internet gambling regulatory model, it gathered
information from all the existing traditional regulatory basis, and then actually looked to the code of conduct developed by the Ken Council, and developed some specific provisions for that market, and they are moving forward, and gaming wages are accepted, interactive means are there today, and they are not limiting access by anyone in the United States.

So I think these trends need to be taken note of, because the exceptions will begin to swallow the rule, here.

COMMISSIONER LOESCHER: One other question. Curiosity kills me sometimes. I have been puzzling over where all this begins, and I keep hearing, you know, in Nevada that there are at least five of the major companies are looking at internet gaming and you mentioned the Bally’s thing.

And there are at least four others that are. And they look at intra-state, within the boundaries of a state, to allow internet gaming to begin. Are there other states that are doing this kind of thing, people in other states? Because a state can regulate itself through its public utilities Commission, and can regulate its own -- by the legislature, and what not, can regulate what it is doing. And that is the first question.

Coupled with that, I’m intrigued by the notion of avoiding the Interstate Commerce Clause of the United States Constitution by having agreements between and among states.

And do you see that as a possible trend in this business?

MR. ANGEL: I clearly do. I think that there is a common understanding of what is recognized games, and if there were uniform acceptance of definitions of games, and appropriate limitations placed on access to those games, there might be some
body of readily acceptable, non-controversial aspects of
interactive gaming permitted.

And I think it is incumbent upon those states that want
to take the responsible step forward, to group with others that
want to discuss it. Clearly these trends are happening abroad,
it is just a function of when it is the United States will make
the very same steps.

I’m aware of the fact that New Jersey, at various
levels, has begun an independent analysis, and I would expect
that they would probably institute intra-state wagering forms at
some point, as well.

Now, the 64,000 dollar question is whether or not you
are permitted to accept wagers from citizens of other states that
are restrictive on gaming raises all sorts of constitutional
issues.

Really what we have seen, traditionally, in the context
of states’ control of gaming is rooted in the model that worked
two or three decades ago.

Moving forward the balance is individual rights versus
states’ rights. And if adults may access these things without
harm, with adequate social controls, then maybe states have a
lessened role as we move more forcefully into the internet.

But it is a balancing approach, and it is not going to
be determined in lock step, it is case by case movement forward.

COMMISSIONER LOESCHER: Lastly I think I have been
studying the telecommunications industry for some time, and in
some other business, but the technology in telecommunications
from wire to cable, and the deregulation of that industry, and
the investments that are going forward in that industry across America are very, very interesting.

And the thing that I wonder about is two-fold. One is the business of cable, can bring this business right into the living room, into the TV sets of our households in America. And that troubles me greatly.

And I wonder about that, but with wide band cable now you can do all kinds of things, and more and more every household in America is going to be wired that way, with cable, and not necessarily using the telephone lines.

And the business expansion that is capable because of this cable business into our homes, is explosive, and the service that you are promoting, and thinking about advocating a regulatory scheme to occur, can be unbelievably huge, and within a decade’s time.

Has your people thought about that, and what are your views?

MR. ANGEL: Many are troubled by the prospects of in-home wagering, particularly as it becomes ubiquitous, offered over the television as opposed to rather sophisticated computer linkup. And I think the proper balance at this point still rests with state limitations on what gaming products may be offered through mass media.

Closer questions, from a legality standpoint, exist in the internet. So without jumping into whether or not at-home wagering is good for citizens, and good for society, I would say that states should continue to play the primary role in limiting access through mass media mechanisms such as television.

COMMISSIONER LOESCHER: Thank you very much.
COMMISSIONER WILHELM: Mr. Angel, you have some very powerful arguments on your side here, the apparent inevitability of this technology, and its apparent ubiquitousness, the inherent difficulties of enforcement, particularly with respect to overseas operators, the spotty record, at best, of the whole concept of prohibition in this country, those are extremely powerful arguments.

And, in fact, I think a lot of us feel sort of like there is really nothing to be done about this in a lot of ways. But I think it is fairly clear that the principal reason this Commission exists at all is because of the exponential growth of all forms of gambling in this country, particularly in the last decade.

So to the extent that people on this Commission, or more importantly people in America are concerned about the concept that there may be something wrong with uncontrolled growth of gambling, so that everybody can gamble everywhere, anytime they want, how do you respond to that? It would appear to me that your -- unless I’m missing something your proposal would say that anybody who can meet a certain threshold of licensability, and I’m sure there is plenty people around who can do that, in terms of their own integrity, and in terms of the integrity of their games, and in terms of whatever other requirements somebody might invent for licensing, there would be lots of people who can meet those requirements.

In most states in this country, even to the extent they have gotten into more and more gambling, most states have granted a limited number of licenses. One of the reasons that there is a lot of contention with respect to tribal gambling is that there
is so many reservations, and if they all have a casino then there
is a lot more gambling than there used to be.

Detroit, the people of Michigan wisely or unwisely
voted to have three casinos, not any number at all, three. I
don’t understand how, under your proposals, anybody could have
any hope, whatsoever, of limiting the unending growth of
gambling, both in terms of the number of operators, then in terms
of the 100 percent availability to everybody in America.

MR. ANGEL: The short answer is, you know, there are
foreign nations where gambling is prevalent, perhaps more so than
even in the United States. And I recall Brian Farrel’s testimony
to that point, and he highlighted the ubiquity of gambling in
different forms.

And it was his prediction that when internet gambling
was added to the roster of games that people could play, and the
way they could play, that it wouldn’t fundamentally change the
social fabric of this country, it was just offering another
convenience, and that primary attention should be paid to making
sure that the bad guys don’t get in and defraud consumers, and
moreover, that those people that need protection in society are
limited from their access to the systems.

And I think that argument is pretty persuasive.

COMMISSIONER WILHELM: So your view is that it is okay
if gambling is everywhere?

MR. ANGEL: I think it already is everywhere, and I
think that the fact that the internet exists makes it everywhere
now, today. So the more responsible path is to regulate it in
whatever fashion you can utilize, rather than constructing, using
the analogy again, a fence that needs to be enforced that ultimately will not be foolproof in deterring people.

COMMISSIONER LEONE: Why do you think there are attempts to limit the location of gambling as opposed to limit how many laundromats, or supermarkets, or Chinese restaurants we have, why -- what do you think lies behind the elaborate mechanisms almost everywhere, not just in the United States, that are designed to limit the number of gambling facilities; do you think there is anything behind that, or do you think that is a -- what do you think?

MR. ANGEL: Commissioner Leone, we are in complete agreement.

COMMISSIONER LEONE: You said it was everywhere in a context of saying that it was pointless to raise the issue of limiting it, because it is everywhere.

MR. ANGEL: No, I’m sorry, I perhaps didn’t get my point across. The internet with its ubiquitous nature provides ready access to people who are unregulated. What I’m encouraging is that limitations be placed in that environment, as well, so that access not be obtained by minors, or that compulsive gamblers be blocked at the door when they are getting to the point of injuring themselves and their families I’m really in favor of the limitations that you address. Moreover, I’m just saying that on a more global level, there is a bit of hypocrisy, and legal invalidity if you construct arbitrary barriers, or you completely turn your back on the problem, we are doing nothing to limit.

We are in complete agreement that there are pervasive social issues associated with uncontrolled access. I’m just
saying that exists today, the access exists today, and limits
need to be constructed, and the best place to start is with a
regulatory model, not a prohibition model.

COMMISSIONER BIBLE: Would you elaborate on your Bally’s
example? Because I’m from the state of Nevada, I used to be
involved in the regulatory process. The state recently adopted
regulations that prohibit internet gaming, both intra and inter
state within Nevada, and you have alluded twice now that Bally is
somehow engaging in internet gaming in Nevada.

MR. ANGEL: So I understand. The development that I’m
referring to is a late-breaking development that occurred in the
last week. And Bally was one of the companies that was insistent
in trying to get a regulatory mechanism, like through your
leadership, two or three years ago, the legislature had already
proposed some form of interactive wagering in Nevada, and then it
was left to -

COMMISSIONER BIBLE: You people misunderstood the
statute, and the thrust of the statute. The statute made it
permissive if regulations were adopted, and the regulations that
were finally adopted made it prohibitive.

MR. ANGEL: I agree with you. What I’m saying is that
the most recent development with Ballys, as I understand it, was
an approval for intra-state interactive wagering.

COMMISSIONER BIBLE: Why don’t you send us all of that
on some sort of official document from the Control Board, that
would have been the approval agency, because I just find that
very difficult to believe.

COMMISSIONER DOBSON: Angel, would you agree with the
principle on the fact that I think that it is pretty obvious that
you don't, that the closer to home the access to gambling is, the
greater the threat to children in those homes? MR. ANGEL: I
would agree with that principle.

COMMISSIONER DOBSON: Tell me again how you are going to
keep children from stumbling onto the internet gambling
opportunities if it is ubiquitous?

MR. ANGEL: Okay. The essential model would be
licensure of the operators, insuring that only licensed operators
are offering such products on the internet, and that those
operators institute controls to limit access by minors. And
there are a variety of —

COMMISSIONER DOBSON: How are you going to tell that?

MR. ANGEL: There are a variety of technological
devices, and technology is improving every day. The primary
vehicle, today, is essentially age verification. Whether that is
done through use of a credit card, a digital signature, cross
relational data bases, certification with a, you know,
verification organization, there is a variety of means. They are
not —

COMMISSIONER DOBSON: They don't work in other contexts
such as the video games, and so on, that are taking place in
South Carolina and elsewhere, where you have an operator standing
there observing that activity.

Why is it going to happen in the home? What hope do you
have of that?

MR. ANGEL: Just as a matter of common sense, I believe
that when you are employing regulatory means to create barriers,
you are increasing your percentage of being effective, as opposed
to taking no action, or just trying to take a piecemeal prohibition enforcement approach.

So I would bet with regulation every time.

COMMISSIONER DOBSON: Would you agree that this is at the other end of the continuum from the notion, 20, 30 years ago, that gambling ought to be in a place where you had to specifically go to in order to gamble, you had to make an effort to get there, Las Vegas or Atlantic City, or Montecarlo, or some place.

This is at the other end of that continuum, where it is right in your face, in your home. That does not concern you?

MR. ANGEL: We certainly have evolved, there is no question about that.

COMMISSIONER DOBSON: One other question. You made reference, in your comments earlier, that you would hope to, or plan to block, or at least interfere with compulsive gambling activity.

Tell me again how you are going to do that?

MR. ANGEL: Well, inherent in the interactive model, and use over the internet is that there is monitoring and tracking. Whatever the standards are for usage, there are a variety of issues that are going to have to be addressed from a regulatory standpoint, loss limits, patterns of compulsive gambling, financial capability to be registered in the first place.

So these are all designed with the same end, to identifying a compulsive gambler and making sure that their access is limited, and perhaps direct referral to people who can help.
One mechanism that the gaming council has already instituted is a helping hand program, which sites are required to institute, which helps to identify compulsive gambling, and then creates a direct path to help groups.

COMMISSIONER LEONE: This would be quite a remarkable development, since everything we know about marketing that looks at people’s patterns of behavior is that it tries to market to the people who are willing to spend the most money on it, and are frequent users.

COMMISSIONER DOBSON: Give me an example of where that works.

COMMISSIONER LEONE: Remarkable, this is not something that everybody else who does mass marketing ever has done.

MR. ANGEL: Well, let me offer up a small counter --

COMMISSIONER LEONE: You need to have a trigger point, where first you identify these customers, and they would be the best customers. It would be silly to sell to people who never gambled, and it makes sense to sell to people who gambled, and then at some point you decide they were gambling too much, that would be within the program, and you would cut it off, is that plausible?

MR. ANGEL: Let me offer up this counterpoint, and I think it is somewhat workable, the following. I’m not a psychologist, I’m a lawyer, and I’m told by people in the field that compulsive gamblers will go in and out of compulsive gambling, often showing remorse. If these individuals were to register, or family members were to register them as individuals who have a problem pathological gambling, by correctly identifying those individuals, limiting further access, we could
help to stop those that are at least at portions of their life, remorseful.

COMMISSIONER LEONE: You think universal access to gambling would lead to more, in absolute numbers more compulsive gamblers, or problem or pathological gamblers, or have no effect on them?

MR. ANGEL: I’m personally not competent to answer that question. The -- what I was thinking about, when I was listening to the presentation by Mr. Saum is, other nations who have authorized sports betting with government regulation, and I don’t know what the prevalence studies have shown in the United Kingdom, where it is offered on a retail basis, or in Canada, where the lottery administration offers, you know, sports bets, whether that has increased the prevalence.

But, if I were interested in studying it, that is where I would start. But I think it is becoming axiomatic that once you limit involvement of organized crime, you are increasing the likelihood that there will not be point shaving schemes, and the like.

COMMISSIONER LEONE: Mr. Angel, I am a licensed psychologist, and not a lawyer, and it is my considered opinion that the greater the access to gambling, especially in the home, the greater the compulsivity we are going to see.

COMMISSIONER WILHELM: I would just suggest to my fellow Commissioners that while I am impressed with the apparent inevitability of the growth of this form of gambling which, of course, has very few counterbalancing positives, for example, creates nary a job, as far as I can tell, Bill Bible times me each morning. It is fairly late by my standards.
COMMISSIONER DOBSON: High quality job.

COMMISSIONER WILHELM: I am always glad to be brought back to my path. But what worries me the most about any concept of legalizing this stuff, in spite of its apparent inevitability, and the difficulty of enforcement has to do with, I say this with the utmost respect, what I think would be the probable reaction of the major gambling companies with their rather extraordinary access to capital, because these are companies that have obligations to their shareholders, and if you look at the history of the growth of gambling, at least casino gambling in the country, when Nevada had a monopoly, the companies in Nevada were pretty happy with that, and they opposed the -- most of them, to my knowledge, opposed the expansion of casino gambling to Atlantic City.

But when Atlantic City became legal, you know, they went there for shareholder and competitive reasons. And then for 20 years or so they said, well Nevada and New Jersey is a pretty good thing, you know, let’s not have it go anywhere else.

And there was a significant, I would say a preponderance of opposition from the commercial gambling industry to expanding beyond Nevada and New Jersey.

But then when states started to legalize casino gambling, and smaller operators got into it, and money was being made they, I think understandably, had an obligation to their shareholders to go there too.

So they forgot about that opposition, and went to those places. Likewise they have had a history for strictly competitive reasons of opposing the expansion of tribal gambling,
and they have already begun to say, well, you know let’s go there too, there is money to be made.

And so -- and it is becoming legal. And I think that is inevitable, I don’t mean that critically, although from my perspective it is somewhat disappointing, all of that.

But if we legalize this stuff, those companies, with their enormous access to capital, I think necessarily are going to go there. And when you get companies with the kind of knowledge and the kind of capital that the major gambling companies have involved in that business, forget about limiting growth, it is gone.

So even though I’m impressed by the difficulty of enforcement, and the inevitability of this technology I think legalizing it would be the end of anybody’s thought about any concept of limiting the growth of gambling.

COMMISSIONER BIBLE: I couldn’t agree with you more, because you were talking, earlier, about an issue that has a couple of facets. One is that is it because the technology, the technology is to some extent driving the policy consideration.

So it is sort of an unusual problem that you are facing, where the representation is, the technology is there, it can’t be controlled, it can’t be regulated, let’s give up and try and create some -- you know, legalize the activity, which is one item you mentioned.

The other is that if it is legalized, and I couldn’t agree with you more, it would attract all of the companies that have access to the standard capital markets, and they would put some amazing sizzle in the product, and the growth would be exponential.
CHAIR JAMES: With that I would like to bring this portion of our morning to a close, unless Commissioners have some burning issue that they want to bring to the table, with these two gentlemen, because we will continue our discussion on the internet as we have our report from the subcommittee.

DR. KELLY: Madam Chair? I have something that might be of use to the Commissioners, specially the question that Commissioner Leone was raising, does access influence problem or pathological gambling.

There is a chart in the NORC data, I was just hunting for it, and I found it on page 25, that hints at an answer to that, and suggests that distance to casino, for instance, does affect not so much pathological gambling, as problem gambling. The data show that there is a significantly increased rate of problem gambling as you get closer to a casino. It does not show that for pathological gambling.

It seems to suggest that those who are in the realm of being addicted to something, perhaps are not affected so much by access, but those who are just short of that, are. I just wanted to call that to your attention, if you are interested.

CHAIR JAMES: Thank you. I want to thank both of you for not only this morning, but having worked with us during the entire process, and your input has been invaluable to us.

And, again, I want to encourage you to have those lunches, and to look forward to receiving a letter from me, and hopefully that will be helpful to you internally as you work within your organization.

Thank you very much.