CHAIRMAN JAMES: With that, we will begin with Representative Perkins. Welcome.

MR. PERKINS: Good morning. Let me welcome all of you to Louisiana. I'm sure you're enjoying the weather; we are, we haven't had rain in a while.

As you can tell from my outline, my comments are based more on an overview from a legislative standpoint, not specifically directed to regulation but just an overview. I'm going to skip very quickly through the first part of that which was the history of our gambling which is significant in how we regulate it.

We first began in this current phase with the lottery which was the only form of gambling that was voted upon by our people prior to it being implemented, and that was back in 1990. Quickly after that, the legislature put into place both video poker and riverboats and the New Orleans casino. All of that was done without a vote of the public.

There was a lot of alleged corruption, a major investigation by the FBI which led to a turnover in the legislature -- which I'll mention shortly -- but that led into local option elections after the fact. And I can just tell you from that model that we have discovered that doesn't work. Once the industry is up and running, to call for fair and free elections simply does not work. The influence of the money, of those already established in establishments makes it very difficult for the public to decide this issue based upon the facts.
We have continued, actually unfortunately, in even considering an expansion of gambling even in our last session where we're now looking at slot machines at race tracks to bail out the ailing the horse racing industry. So we are still in the process of dealing with the gambling issue; it's long from over.

One of the things that we have done is we have changed our regulation. Our first boards that were in place were totally inefficient, ineffective. We have set in place a new regulation model based upon the success of some other states. However, the problem is that all of this was already created and now we're calling regulators in to control it. It's kind of like herding cats: it's very difficult to do once they're out running around. So we're in the process of doing a lot of catch-up.

Let me talk now about some of those issues such as gambling addiction which is becoming a very serious issue for us here in Louisiana. It's interesting that before we began this journey, there were other states that were warning of some serious problems that came with legalizing gambling. I recall back in I think it was the early '90s, about '92 there was an article from the Globe that talked about the state should be aware of really three main areas: addiction, crime, and corruption. It's unfortunate to say that we have experienced all three of those and still in the presence of dealing with those.

The profile of gamblers in the Gulf Coast region -- you may have heard this but it's relevant to what we discuss here today -- the profile of gamblers is much different here along the Gulf Coast and Louisiana than it is in, say, Las Vegas or in Reno. The average gambler out there: the age is around 49; 57
percent are over the age of 45; each visitor's average yearly income is at $44,000; the majority of the visitors, 58 percent of them are male; and an overwhelming portion, 90 percent, are white.

Now, you compare that with what we have in the Gulf Coast and it's significant different. This is something to point out and I wish you'd make note of this. The Gulf Coast visitors' demographics are very different: the gambling population is somewhat younger, it's in its mid 40s with 51 percent between the age of 21 and 45; the next largest share is composed of patrons over the age of 65 years of age accounting for 20 percent of the population that gamble; average annual income is in the low 30s; 56 percent make less than $30,000 per year, and a full quarter make less than $15,000.

Now, that's significant when you look at the profiles that have been adopted for gambling addiction. Problem gamblers are likely to have psychological problems, be unemployed, or earn less than $25,000 a year. Now, this is from studies that have been conducted here in Louisiana, and we are in the process of doing several studies.

We've done some baseline studies, one that shows that at least 80 percent of adults and 86 percent of adolescents in Louisiana have taken part in some form of gambling, while about 5 percent of adults are likely to have gambling problems, the risk is higher among young residents: 22 percent of adolescents and 14.3 percent of adults ages 18 to 21 inclined toward compulsive gambling. That's significant when you look at the profile of the
gamblers here. Clearly the majority of gamblers in the Gulf Coast region in Louisiana fit the model of problem gamblers.

Now, it's estimated -- and I know you heard testimony on this earlier -- from a state perspective in terms of policy it's important to note that when we look at the total number of problem gamblers which range anywhere from 105,000 to 182,000, depending on whose numbers you use, in the state of Louisiana that could be classified as problem gamblers.

When you extrapolate that out to look at the cost that's associated with that, for instance, we had testimony from the officials with the Department of Health that have done some of these studies, and they estimate that the cost -- and I think that this is high, but they estimate the cost that the state, the economy bears from problem gamblers is about $65,000 a year.

Now, I know estimates range anywhere from 20- to 50-, could be more like 40-, I don't know. But just based upon the figures that they gave us, gambling is costing our state anywhere from $6.8 billion a year to $11.8 billion a year. That's not state money, that's total, that's cost to the state in terms of social problems, criminal problems, lost income, lost wages, theft, all of that. So we're looking at a very serious problem in terms of a dollar amount here in the state of Louisiana.

Last year, for instance, the gamblers in Louisiana -- and this information is coming straight out of the media which, by the way, seems to be the only ones that have really kind of caught on to what's going on; lawmakers and policy makers still don't understand the problem but the media has done a very responsible job, I think, in reporting the issues here in the
state. Last year alone, gamblers lost $1.6 billion here in Louisiana.

When we look at addiction, studies are now showing that women are now more prone to gambling addiction, especially to the types of gambling we have here such as video poker. When we look at gambling addiction, a recent article here from New Orleans showed that one in six businesses report workers with gambling problems.

A very serious problem when you look at businesses, and you'll hear testimony this afternoon from business people, one of whom I know who had a secretary embezzle money from him that put a very small business -- had a very dramatic impact on their business. So it's touching the lives of many small businessmen.

One of the other areas that the gambling addiction is leading to is a whole new area for government. If you like big government, you're going to love what has to happen when you have gambling: you have to have new regulation, and now we're creating all of these social problems to address the problems that we created.

Now, let me say this. I have more of a libertarian view when it comes to gambling, I really could care less, I think it's foolish to gamble, but I could care less if people gamble. My real problem is the state is a promoter, sponsor, and a partner in gambling. You know, in the free enterprise system, in capitalism, people are out to make profit; the gambling industry is out to make profit; I understand that. I think they have a moral obligation to not take advantage of people.
But be that as it may, I think the state has a real obligation to protect people, especially the poor, the unwitting who are seduced into gambling. And that is who we're finding out is being drawn into gambling is those in poverty, those who can least afford to lose the money.

Now, I know it's been great for some. You've heard testimony that people now have cars, they have homes, they have insurance, and that's great and these are good people, but I don't think that these people realize that their building their homes upon the ruin of other families, and that's what we're finding here in Louisiana. While it's been fitted a small segment, there are many others that are suffering as a result of gambling.

Let me say one of the leading factors, and we look at gambling addiction, is the intro to gambling is through the lottery which is solely sponsored by the state, and I think the state has much more of a degree of responsibility than the gambling industry as a whole to address this issue.

One recommendation I would make to this Commission that would take back to Congress would be to — and let me say I don't think the federal government should be regulating gambling in the states; I think it's an issue left to the states, but there are some areas. One, I think, just like they've addressed welfare through incentives to the states that tackle these issues, the federal government should provide incentives to states who move away from state-sponsored gambling so that they're not the cause of many of these problems.
We find that bankruptcies are up; we've even, Baton Rouge, had to build a new court for bankruptcies to accommodate a 50 percent increase in bankruptcies, of which those attorneys and judges say that that is in response to a surge in gambling-related bankruptcies.

One of the areas that I think we need to pay close attention to is underage gambling. Now, we have begun to address that somewhat here in Louisiana in the last legislative session. It's interesting that we were warned prior to the introduction of gambling that children were going to be a prime target, and that has been the case. And we are seeing a devastating effect on our children. A recent study showed 84 percent of our state's sixth graders had gambled in some form or fashion. They are the most prone to gambling addiction and developing a lifestyle of gambling addiction.

And I really think that's the future generation for the casinos. And I have to say I don't really trust these PR campaigns that the gambling industry goes on to protect the youth and the problem gamblers. I think it's like a fox standing in front of the hen house saying "Save the chickens." They make their money off problem gamblers.

The studies I've seen, and talking to former casino individuals who are now out of the industry, say that as much as 40 percent of their revenue comes from problem gamblers. So I think it's hard to say that they're really concerned about dealing with problem gamblers.

Now, the issue of crime is a very serious one. We had a serial killer in the Baton Rouge area, killed six people,
attacked two others, and you see him here holding his check from the riverboat where he went that afternoon to spend the money that he stole from the couples that he murdered.

We had a lady who killed her parents to pay for the debt around her gambling habit, her video poker habit; a babysitter who left a two-year-old to die in a car while she played video poker because she was addicted to it; we have officials saying that it's the reason for the increase in crime.

But one of the more serious things that I take a great interest in because of my position in the legislature is the corruption. We've had some of the largest FBI operations here in Louisiana to undercover corruption revolving around the gambling industry and government officials. We'll have some former government officials reading about these proceedings from their jail cells: one senator currently in jail, one that was acquitted, one member of the house of representatives that has served his time already, and we have a former governor, by all reports -- former governor and others who will soon be indicted based upon a license for a riverboat here in Louisiana.

Of course, there's no wonder that there was corruption when you see the amount of money that the gambling interest has to throw around. This is a front-page story of where the former president of the senate was passing out campaign checks from the gambling industry on the floor of the senate. They have completely weaved their way into the process of government.

And that is another thing, at least on the federal level -- we have begun to address it on the state level -- is to...
limit the influence of financial contributions from the gambling industry to those in office.

Another issue of credibility we had: a police officer who was arrested after robbing the same bank twice to fund his video poker habit.

These type of things do tremendous damage to the image of government and the confidence that people have in the institutions that are there, in many ways, to protect them. Those most vulnerable are looking to government for some form of protection and they're the ones that government is leading the way to oppress through state-sponsored and state-sanctioned gambling.

And I think it's reprehensible that in America today that we have no concern for the poor, in that sense, those who do not have education, for whatever reason, have very little money. They're the ones that we're building the back of this industry in the state. Again, I emphasize it's the state that is leading the way; around the country, states are generating millions of dollars -- we generate $500 million into our budge through gambling, and the state then becomes addicted to the revenue.

We've even had officials during the elections run advertisements promoting gambling because of the money that comes into state and local coffers. So I would encourage you to look at those issues.

One other issue that I would hope that you would take back is the Internet gambling issue which we cannot address. We've passed legislation here; in fact, I authored a bill to ban it. It needs to be addressed from the federal level because that
is going right into the homes, children are sitting in front of those computers, people are being enticed to lose everything they have at the hands of Internet gambling. And I would encourage you not just to regulate it but to ban it.

CHAIRMAN JAMES: Thank you very much.