CHAIRMAN JAMES: Mr. Bowen.

MR. BOWEN: Good morning, Madame Chair, Commissioners. I'm Stuart Bowen, deputy general counsel for litigation to Governor Bush, and I bring you warm greetings from him and thanks for giving me the opportunity to give you an update on the situation with respect to gambling in Texas.

My brief presentation will address three issues: first, the history of Texas' general public policy against gambling and how it's eroded somewhat over the last 20 years; second, a report on the Governor's Task Force on Illegal Gambling which he formed a year ago and it has met four times, addressing the growth of illegal gambling in Texas; and third, how Texas manages the inevitable attention that ensues when the state is simultaneously restricting and regulating gambling.

First, as to the history of gambling in Texas, for most of the century, really the first 80 years, most forms of gambling were illegal in Texas. The primary issue that arose in the legislature on a regular basis during that time was parimutuel gambling, and racetrack betting would be passed, and then a outcry would rise up against it, and then it would be reversed, and that happened three times in the course of the first 80 years of the 20th Century.

And then in the last 20, the people of Texas have seen fit to vote and permit four types of gambling, doing so by amending the constitutional prohibition against lotteries. First came bingo, and it was presented and passed as a way to accrue money for charities, and it has achieved that, and it is regulated by the Texas Lottery Commission.
Thereafter came pari-mutuel wagering and there are a number of dog and horse racetracks operating in Texas, again presented under the guise of the argument of presenting an economic boon to the state, and it's been less successful in achieving that for Texas.

Third, charitable raffles were authorized in 1989, and then in 1991 Texas voted to adopt and run a state lottery which is now providing substantial funding for education, and in the last session that money has now been directed to be used for that, as it was initially promised.

With the advent of increased legalized gambling in Texas over the last 20 years has come also a growth in illegal forms of gambling, and in particular, sports betting and illegal gambling device use have grown substantially in the last ten years in Texas, and particularly in the last three years with respect to illegal slot machine use.

And that prompted an effort during the last legislative session in 1997 to crack down on this issue, and Governor Bush proposed and legislation was introduced to try and stop the influx of what are known as eight-liners, or sometimes cherry masters, into our state, and they had been coming in in droves after the passage of a 1995 amendment to the gambling device definition that made the definition ambiguous.

That effort was hard fought and resulted in the bill's death on the senate floor; at midnight on the last day of the session, it was filibustered to death. But that was not the end but merely the beginning of the battle of the issue, and it was joined substantially by the governor when he ordered, a year
ago, the formation of the Governor's Task Force on Illegal Gambling.

And indeed, that task force has focused its examination of this gambling device issue -- particularly eight-liners -- and has succeeded in accumulating a body of information that exposed the problem, and in persuading the state agencies with jurisdiction over the matter to pursue law enforcement, and it's resulted in, just this year, the seizure of well over a thousand machines, a number of successful prosecutions are underway, substantial sums of money have been taken in connection with these seizures by the Department of Public Safety, and also the attorney general of Texas has weighed in declaring the exception that broached this problem back in 1995 to be unconstitutional.

So it's good news from Texas with respect to the focus on this problem of illegal gambling devices, and that is that thanks to the governor's initiative, this task force, composed of prosecutors, state agency members with jurisdiction, and persons familiar with the problem gambling that these machines have created in Texas have resulted in a turning back of the tide when it looked as if the dam had broken at the end of the last session.

And thus, we're looking forward to the next session which begins in January with fixing legislatively this issue and hopefully closing the door on this particular form of illegal gambling in Texas. And I think it will provide us a model on how we can successfully address other forms of illegal gambling in
Texas, particularly sports betting which is our fastest growing form of problem gambling.

There are five state agencies in Texas with jurisdiction over gambling issues: the Department of Public Safety, the Texas Lottery Commission, Texas Alcohol and Beverage Commission, the Texas Commission on Alcohol and Drug Abuse, and the Texas Attorney General. While they all have a piece of the pie of supervising gambling, some are more involved in restricting it, like the TABC and the Office of the Attorney General, others are involved in promoting it, like the Texas Lottery Commission because it's a substantial source of revenue, the state lottery, for, in particular, education.

That has been a difficult path to walk, in particular with respect to the two casinos we do have in Texas, and those are on Indian lands in Eagle Pass and El Paso. The argument coming from the tribes is that we don't have a public policy against gambling in Texas, you allow these forms of gambling, and therefore, our casinos are legal.

And indeed, the eight-liner problem and the initiative to substantiate our public policy against gambling arose from the legal arguments made by the tribes with respect to how Texas is addressing this issue. And that continues to be a problem for the state in that there's continuing litigation with respect to the Indian gaming issue and the Attorney General's Office is addressing that.

In sum, I think Texas, through its Task Force on Illegal Gambling and through the efforts of the governor and the lieutenant governor and the majority of the legislature to stem
the growth of gambling in Texas and stop any further legalization, has re-invigorated what has been a long-standing policy against gambling with, now, four exceptions in our constitution. Thank you.

CHAIRMAN JAMES: Thank you.