COMMISSIONER WILHELM: Mr. Galanek.

MR. GALANEK: I didn't have to wear boots to get here, but I did take a boat to get here.

(Laughter.)

MR. GALANEK: I'm Detective Edward Galanek from the New York City Police Department. I became a New York City police officer in 1982; I became a detective in 1987; in 1988 I began a career into investigations of organized crime.

First off, I want to thank the three of you for staying anyway; we like an audience here on this side of the table.

As I begin my testimony, though, I want to state that as a matter of record that what I'll be discussing with you is not as a representative of the New York City Police Department, nor of the Brooklyn district attorney's office where I'm currently assigned, but as someone who has been investigating in this area for over ten years.

In 1988, as a member of the New York City Police Department assigned to the Brooklyn district attorney's office, I was asked to act in an undercover capacity. In this two year period, I was able to infiltrate a faction of the Gambino crime family. During that two-year period, I was also able to learn the ins and outs of organized crime run illegal sports betting operations.

Besides obtaining detailed information concerning the nature of this multi-million dollar business -- which resulted in the convictions of dozens of members of organized crime -- I was
able to get this firsthand knowledge of how this day-to-day business is and how much it actually means to organized crime.

When that two-year period ended for me as an investigator, I then began a period where I was a case officer or lead investigator in what ended up being over three dozen different eavesdropping warrants, wire tap investigations. Once again, these were all organized crime sports betting operations. These numerous operations resulted in over 100 search warrants being executed with at least as many arrests.

It is no longer any secret that the sports gambling bookmakers are not Runyonesque characters. As the New York Times reported in April, the profits of illegal gambling operations feed into every part of organized crime and it is really their unfailing source of capital for every other project that they have.

For example, in Kings County, Brooklyn, we've been handling cases where illegal profits from sports gambling were used to make loans to other organized crime figures, as well as set up legitimate construction businesses which immediately were implicated in illegal construction and labor practices. I know these practices are true throughout the New York City metropolitan area and nothing that I've read anywhere else leads me to believe that it's not true throughout the rest of the country.

In recent investigations we found that certain criminal elements have tried to infiltrate the legal sports books. I'm glad to say that as of this testimony, it's just to a minimal extent.
During the past ten years, I've been working, researching, investigating both the legal and illegal sides of multi-million dollar a year sports betting businesses. I've drawn some conclusions which represent my personal opinions, and once again, are not the opinions of the New York City Police Department nor the Brooklyn district attorney.

Number one, organized crime considers this area their last stronghold. And when I'm talking about organized crime, I'm going to deal in just the area where my expertise is, and that's in the New York metropolitan area. The five families in New York, I guess it was a long-held opinion that, you know, narcotics was run by organized crime, pretty much just about every scam, and that was the case many years ago, but now with the influx of the Asian community and the South Americans, West Indians, the drug trade is no longer their domain.

Pretty much at this time in the New York area, they really don't have a domain. Yes, they've infiltrated their way into labor unions and many other areas where they're definitely ensconced, but the life's blood for organized crime is this daily profit that they receive from illegal sports gambling.

Number two, I believe that legal sports gaming can be run without interference from organized crime. My feeling for that is what I've seen in my investigative work, once again, in organized crime -- I like to use the model that the federal government uses: when these main members of organized crime and their associates go to jail, upon their release, federal probation generally has a rule for them which is they can no longer associate with members of organized crime.
I believe in the legal sports books, if you have certain criteria, just like this which is no association with members of organized crime, no association with convicted illegal gambling criminals, my feeling is by putting this criteria -- be it with heavy financial fines, or losing of your license -- this will help to curtail this because as I've seen with the federal government, these violations have been occurring left and right. The members of organized crime get out of jail, they can't help but go back to their ways, they consult with their friends, they're back in the federal system.

Number three, attacking illegal sports betting operations can be done successfully only by using all of the tools available. And those tools, like I say: criminal sanctions and civil forfeiture. What we found in our area was that really hitting them hard, basically taking the profit out of this illegal business, is a way of affecting these illegal criminals.

While acting as a street-level investigator, I've a purely personal opinion that the time has come to examine another weapon. Legalized sports betting -- which at the present only makes up a fraction of the multi-million dollars of sports betting done every year -- may be an answer to illegal bookmaking.

Why do I say this? Well, I believe one anecdote is worth a thousand policy studies. During the past 20 years in New York, what we've seen is a dramatic decline in the amount of illegal horse betting, parimutuel wagering. We have off-track betting in New York. I'm not here to defend the off-track betting system because it certainly has its own flaws,
but it did take a substantial bite out of the illegal betting world.

Six years ago I led an investigation against a bookmaker who was considered if not the biggest bookmaker in the New York metropolitan area, at least one of them, and upon his arrest and upon us attacking his finances, we were able to determine that he was the largest customer for New York State's off-track betting system; he was betting hundreds of thousands of dollars a year. And it appears that even the sports gambling bookies place their horse bets legally or would bet legally when given the opportunity to do so.

Finally, I'd just like to say, as someone who has worked in this area for over a decade, I can tell you that the victims in this area are really countless, and I'm reflecting that to the illegal end of it. Because what tends to happen in this illegal world is there's two really standout factors that occur in illegal sports betting: you run up large debts when you're losing as a sports better; your illegal bookmaker, with his organized crime ties, will be there to assist you, he assists right into a life of crime. He will assist you in paying him off by referring you to his associate the loan shark; once you're involved with the loan shark, you're now in basically a cesspool, you're going down with very little chance of coming up.

Something that I discovered -- which I didn't know until I actually was able to be out there on the street -- was when these fellows also will get into this debt period and have to go to a loan shark, the next step for them is they are brought
in to work within the operation. You go from better to loan
shark victim to actual worker in the enterprise.

The bookmaker offers you an opportunity to work,
answer the phones and write bets, which will help to pay off your
debt. Now what you have done for the bookmaker is you have
become his indentured servant, number one; and number two, you
have now entered into a world of crime which all you were doing a
short time ago was placing a bet.

And what you have also done for the criminal, the
career criminal is now you're insulating him because when the
police come and investigate a crime or we go and we hit these
illegal betting operations and that door is kicked in, the person
being arrested generally is this person I was just talking about,
who is really a victim in this situation.

I'd just like to close by stating that organized
crime, along with the other criminal elements that are involved
in illegal sports gambling, hope that you and the rest of America
do nothing. I mean, you see, it's our inaction is really their
best protection in this area. Thank you.

COMMISSIONER WILHELM: Thank you very much,  
Detective. And again, if your mode of getting here was a boat,
we really appreciate it.

Mr. Loescher, do you have any questions or comments
for these witnesses?

COMMISSIONER LOESCHER: Yes. Mr. Chairman, thank
you.

You know, I come from a generation of people, and
also come from a remote area of America, and I heard testimony
yesterday from people from Chicago and then you folks today, you
know, giving us a spectrum of time and also some very complex
activities dealing with illegal gaming and the Mob, and it's just
beyond my comprehension to understand how this can continue to
exist in this day and age. The resources that are being applied
seem to exist, the FBI doing its job, but how does it -- you
know, beyond what the enforcement agencies do.

I sort of hear two stories: one is that legal gaming
stimulates Mob activities in gaming; and then I hear you say that
legal gaming can also deter or reduce the amount of Mob
involvement in gaming. So to a certain extent, maybe it's
partially the story that illegal gaming is a spectrum of gaming
in America that isn't regulated where there is a lot of money and
profits to be made.

So this Commission is sort of at a dilemma in terms
of the public policy framework of how far it can go or should
recommend. Maybe you have some comments about this.

MR. GALANEK: Well, I have a really strong belief in
this area. Basically, my expertise is purely in sports betting;
I'm not going to get into other parts of gaming. Okay? You will
have a very hard time opening up any newspaper in this country
and not finding betting lines on sporting events. Our
politicians, mayors of cities, governors of states, when their
local teams are competing in a Super Bowl or a World Series, will
bet: We're betting a steak dinner, I'm betting a cowboy hat,
whatever it is.

You know, we go back to the Roman times. I'm not
defending gambling, if it's good, bad or indifferent; it's there,
it's never going to go away. What we have as a problem in this
country is that no one ever really considered it, it was always a
victimless crime. The laws on the books throughout the United
States -- in the state that I work, it is not a crime to place a
bet with a bookmaker, the crime is to receive the bet. Okay? So
there's quite a paradox in that alone.

And I'm speaking from purely personal knowledge; I
was with these people every day. I was originally sent out to
infiltrate an operation to see drug running going on. Within
three days, I found out that that was a story that was told to
someone in my office to enhance their own, you know, credibility,
but being able to infiltrate this group, what I found out was
every day the profits and proceeds were discussed, and those
monies from illegal sports gambling are funded into all of these
other areas, into legitimacies.

Now, I truly believe that the entire country has to
be united on this because every state, everywhere people wager on
sporting events. Yet you'd be hard pressed to find legal sports
betting in every state in the United States. How does this go
on? Well, it goes on because there's a demand for it. Organized
crime loves it.

Why do they love it so much? Drugs are extremely
dangerous; people really hurt people badly in the drug business
on a daily basis. With sports gambling, you know, you may have
to absorb some losses, it's a fear factor that goes on -- you
know, the loan sharks and all of that, we're going to break
legs -- but there's not as much violence attributed to this.
The jail time is minimal; fines can be paid; felonies can be knocked down to misdemeanors. It is a truly great and profitable business. And the most important thing is it's a daily business. You know, if you want to go highjack a truck, you have to set up a scam, the truck has to come, this has to happen, you know, there's a lot of things that have to be in motion. Every day there's a contest that can be wagered on, and as long as we let them continue to control this area, we're going to be in trouble.

I mean, you see the new rage is offshore accounts, these 1-800 Caribbean setups that are going on. Why is this being done? Because the bad guys would like to be part of the legal structure, they don't want to go to jail, they just want to make the money; betters don't want to get in trouble, they just want to bet on a contest.

There's a lot of people here that say I want this to be okay and I want my world to be all right. But if we continue to look the other way and let it be run by the criminal element, the criminal element has a set of laws that are not our laws, their laws are the laws of the street, and there's really no recourse you have when you're in trouble and the law is in the street.

So like I say, I can't get into other areas, but this is what I've done for ten years and this is ten years of thousands of hours of being almost like a voyeur into their world. I'm listening to them and they don't know that I'm listening to them, and I've listened to them and I hear them say things like: You know, I really wish the state would organize
it, but you know, if they organize it, they ain't going to do it right by us because I'm sure they ain't going to give us the frigging licenses.

From their own mouths, they know it's a tremendously profitable business; the dangers of it kind of bother them a little bit, but it's certainly worth taking the risk. And the people that are on the front line doing this on a daily basis, working these operations, are not the people that end up with the ultimate profit; that's the traditional "wise guy" who you don't see who the monies end up funded over to, and then he distributes it out to his other areas.

COMMISSIONER WILHELM: Dr. Moore.

COMMISSIONER MOORE: In my terms, you're talking about the bookie.

MR. GALANEK: Correct, sir.

COMMISSIONER MOORE: And the bookie then is backed by the Mob.

MR. GALANEK: Correct.

COMMISSIONER MOORE: The bookie might be a college student?

MR. GALANEK: That's correct, sir.

COMMISSIONER MOORE: Or he might be a businessman in an office, in a large office building?

MR. GALANEK: We have found people go to work during the day and write book at night.

COMMISSIONER MOORE: And what you're telling us is something that basically we already know, if we stop to think about it a little bit, that there's just a tremendous number of
people, people like me, people like John — John probably does it — would bet on a University of Mississippi football game against Auburn University.

MR. GALANEK: Correct, sir.

COMMISSIONER MOORE: And they place these through a bookie, and this is backed by the Mob, so to speak.

MR. GALANEK: That is correct.

COMMISSIONER MOORE: And I think that the problem facing America, I think there's a lot of moral fibers there. You know, I keep using this term and I've been told not to use morality on a government thing because it's not right to talk about someone's morals. But all of us are weak in that, in my opinion, and I think that that has to do with casino gambling, any kind of gambling.

I don't think that I'm going to hell — and I've said this before — because I might gamble a little every now and then. Football, I mean, it don't even have to be the Mob. I mean, about every office building in this town, when the Saints play or when Tulane University — now that they've won a few games — plays, have a football pool.

MR. GALANEK: You're right. Super Bowl pools at the end of the year, there's not an office in America that doesn't have one.

COMMISSIONER MOORE: So after all your work in this — and as you say, if they get caught, they get their hands slapped, perhaps. And you said in New York, the guy that places a bet is not held responsible. Right?

MR. GALANEK: Correct. Only the receiver of the bet.
COMMISSIONER MOORE: So with all your experience, how does America address this?

MR. GALANEK: I believe legalizing is definitely an answer, but, you know, it is purely my own belief. Watching what has gone on in New York, like I said, the illegal horse wagering went down a tremendous amount once they got legalized off-track betting -- but it's mismanaged.

Because I have some knowledge of Nevada and how it's run there, I like that as a role model: really having private citizens, private businessmen set up operations but strictly monitored by state and federal laws. And the violation there, there's where the morality comes in. And we all know it is profitable to run a sports betting operation, it is definitely profitable to do it. Well, if it's so profitable to do it, then you should be willing to conform to certain strict measures of law. You cannot associate with what we know to be known members of organized crime; you cannot associate with the criminal element and run this business. Because you know what? As you stated, people like to bet on their local games and everyone is involved in this, and there are sports betting pools, the Super Bowl pool, almost every office in this country has one when it comes down to it, and these are not criminals, these are citizens of America, these are honest people. But how do we get to do that and not be involved with the criminal element.

Now, you're talking about the college kid that's a bookmaker, or the guy in the local bar that takes a bet on a game. These people don't maybe deal directly with organized crime, but organized crime ends up being the last stop for this
money going out because, as we know in any betting operation, you need what we call outs or lay-off places when you accept too many wagers.

If you eliminate organized crime as the last place to lay off the wager -- meaning private businessmen, once again, who have the money to handle this wager, you do it. I can give you no better example than this.

Ten years of doing this, there's three days of the year that is a bookmaker's holiday: the day before the baseball All Star game because there's no games, the All Star game because it's only one game, and the day after the All Star game. That's bookmaker's vacation; that's their Christmas, Easter and Rosh Hashannah rolled into one.

Well, what do the New York bookmakers do on their three days that they don't have to sit in a room and take bets? Well, they all get on a plane and go to Las Vegas. Because you know what? It's fun to go bet and not get in trouble. They can actually take their monies and go bet somewhere and go play. So when given the days off, what do they do? They choose legal gaming.

MR. deBUEYS: If I may comment. I think the more you increase gambling, the more you proliferate the number of people who are gambling. Particularly lotteries and video poker brings gambling practically to the doorstep of every person in this country. You break down moral fiber. It's a vice because it's getting money the easy way without working for it. And if we want to remain a strong nation, we have to be role models for kids so that they'll learn that the only way to go is to work
hard, study hard, and make them functional to make their own
living in society rather than on risk-taking.

Usually risk-taking is a door entry into some of the
more exciting things like drugs and whatnot, and it's the young
people in this country that are really getting addicted and it's
a real danger for our future because it creates problems. I
think gambling addiction is probably more serious a problem than
alcoholics. It's a thing that by itself it's nothing, but in the
aggregate can undermine us.

And there's nothing wrong with gambling. In
Louisiana it's still okay to gamble at home if you play poker or
whatever you're doing. So long as the house doesn't get a cut;
that's legal. That's the way it used to be, and if we want to
really restore this country, we need to go back to that type of
situation and stop trying to make the easy buck.

We're sucking millions -- in fact, it was a billion
and a half dollars spent on riverboat gambling in the aggregate
this year, and you can bet that a large portion of the money
would have otherwise been spent.

COMMISSIONER WILHELM: I just have a brief comment
and then a question. The comment is addressed to your testimony
Detective Galanek which I find extremely interesting because
although this Commission's charge is to study legal gambling,
we've heard testimony that the prevalence of gambling -- which
is, by definition, illegal among adolescents -- is epidemic, and
it's been asserted to us in testimony that adolescent gambling is
the seedbed, sort of, for adult problem gamblers.
And it's also been testified to us that, particularly among male adolescents, that sports betting -- which is illegal, by definition, if you're underage, and it's also illegal, as you point out, everywhere in the United States except in Nevada -- is the sort of primary route, at least for adolescent males, as well as, to a lesser degree, for adolescent females into the world of betting.

So given the focus of a lot of the previous testimony on young people, I think your testimony is extremely provocative, and I appreciate your making the trip.

Mr. deBrueys, I have a question. You testified extensively today about historical information with respect to Las Vegas and Atlantic City. You indicated, at least I thought you indicated, in passing, on the organized crime issue that that picture had changed as a result of law enforcement activity in, I think you said, the last 12 or 13 years. We've had other testimony about crime in Nevada more currently which is a different picture from the historical information that you've conveyed to us today, and I just wonder, for the record, whether you have any current up-to-date information with respect to crime of either kind in Las Vegas and/or Atlantic City.

MR. deBRUEYS: No. Unfortunately, I've spent my last three years in non-compensated work as a power of attorney for four sick people.

COMMISSIONER WILHELM: That's fine.

MR. deBRUEYS: I do know it has changed, and I'd say where it has changed it would warrant an investigation to see if, in fact, it did change. That's just good professionalism.
COMMISSIONER WILHELM: Sure.

Does anyone have any further questions? Thank you both very, very much for coming out. And again, I want to assure you, as well as others who may testify, that in spite of the fact that we're missing some of the commissioners, that your testimony will be in the record and will be given full and complete consideration.

COMMISSIONER MOORE: I'd like to ask one more question.

COMMISSIONER WILHELM: Dr. Moore has one more question.

COMMISSIONER MOORE: One more question. In your work in New York City -- and when we say the Mob is involved behind this which I think I knew that already -- how many different groups of the Mob do you think are in place? And I know that New York City is larger than Pascagoula, Mississippi. How many gangs or families?

MR. GALANEK: Well, we have five major families in New York, and one thing that they can always cross party lines on, these Democrats and Republicans of the organized crime world, is sports gambling, and when you can make money, you make all sorts of bedfellows.

And like I say, when I did that undercover operation, every Thursday night was a meeting of this particular Gambino crew, and I always used to like to refer to it as -- they used to set up what would be like a table setting in like a horseshoe type shape with the head of this particular group sitting there and the power structure around.
Well, they always left seats at the end for what I referred to as guest gangsters of the week, members of other organized crime families. And gambling and the profits from which were always discussed and monies always distributed, and that was one thing that they always had in common. They had pipe dream plans like Ralph Cramden in "The Honeymooners" but the one thing that was solid was that betting every day.

COMMISSIONER WILHELM: I'm not even going to ask who runs the pool in Pascagoula.

(Laughter.)

COMMISSIONER WILHELM: Thank you very, very much.

Appreciate you coming and appreciate your testimony.