CHAIRMAN BIBLE: The last presenter today will be Mr. Mike Belletire, who is the Administrator of the Illinois Gaming Board and he appeared before the full Committee, I believe, when we met in Chicago. I understand that you also are going to make a presentation to the full Commission tomorrow.

And by way of introductory comments, I’d asked Mike, who I’ve worked with on a professional basis in my former capacity as Chairman of the State Gaming Control Board in Nevada, to gather some of my former colleagues, his current colleagues in the State Gaming Regulatory Agencies and prepare a position-type paper that would incorporate what they would see collectively as the elements of good state regulatory practice. And so with that introduction, I will turn it over to Mike and ask him to tell us about the results of his study, I guess, you would call it.

MR. BELLETIRE: Okay, well thank you, Mr. Chairman and Commissioners. I’m pleased to be with you today and pleased to have been asked to take on this assignment. That’s something that the states collectively, while they are not acting in their official capacity as state regulators, I think enjoyed the opportunity to deliberate. We learned a little bit about one another.

And this had a positive effect, I think across the states in bringing to focus what I think was not always understood, which is why are we doing these things and how much of what we do is geared towards the commonality, how much of the commonality that we have in purpose is approached in different ways. And I think that’s part of what we learned.

Let me first comment, if I can on your first agenda item and that is to simply say that from a regulatory point of
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view, it seems to me that this Internet issue is going to be a lot like a lot of the things we do regulatorily. Which is there is no silver bullet. There is, simply speaking, a series of barriers, hurdles and issues that you create that make it more and more difficult to do things improperly.

And you ultimately have to have some hard-nosed accountability over somebody in the process or you’ll never get it to work. So it seems to me there isn’t a simple or singular answer here on enforcement or even legality, but rather a series of things that make it difficult for parties to participate in the process. And you need to balance that with all of the parties. So for example, as we suggested maybe not allowing, maybe not allowing credit card companies to be able to enforce gambling debts would be an effective way of retarding their interest and further than that, it would be a very effective way for a gamble to get redress.

You know, you fool, if I can get through it now, the next question is should the gambler be allowed to gamble? So that in effect, it becomes a self-enforcing mechanism, which is when you tell your credit card company, I’m not paying, now you’re admitting to your own illegality.

CHAIRMAN BIBLE: Well, if you criminalize it in a federal court you’d have a problem.

MR. BELLETTIRE: All right, so, I mean so I think you have to think through and your staff needs to think through, in a logical way, the assumption that whatever it is somebody is going to find a way to beat that system.

CHAIRMAN BIBLE: Sure.
MR. BELLETIRE: So therefore it isn’t foolproof. But much along the lines of what we have done over the years and Bill is familiar with this, fine. We told you what we wanted you to do, you found the loophole in it, now we’re telling you this loophole is gone. And that’s what we’ve done from a regulatory point of view. You don’t like it this way, fine. Now we’ll stop you from doing that.

So whether it’s through fines or progressive disciplinary relief, we’ve detected problems and the smart guys get out of it. The guys who want to finagle, all we have to do is keep going further and further and further. So I don’t think there’s an overall solution. I think Dr. Moore’s observation about, if there was a way to take each wager that was won, I mean the classic casino argument is, well we can’t be responsible for each wager won and reporting that to the IRS.

And I think that’s very legitimate. On the other hand, what you’re dealing with here is a computer which simulates activity and clearly keeps a record. So each wager won is technically a taxable event. I don’t know whether that, but any number of these weapons it seems to me that are thrown out there, will create the right message. Which is if you do this, it’s wrong and there may not be a simplified way to call it illegal, but there are any number of traps.

So I encourage you, from our regulatory experiences, to think in a multiplicity of directions, not in the same one. Let me go back to the purpose for which I was invited and comment to you that we have provided the staff and Chairman and members of the Commission with a paper which I guess for want of a better
description, I am described as the principal author. And what occurred process-wise was this. I called up several legislators. We all happened to be out in, regulators rather. We all happened to be out in Nevada in January at a conference and we got together for an afternoon. And we sat around and had a round-table discussion. There was a preliminary draft of this paper that was circulated before that meeting and people, just in round-table, went through this from that point in time. And Steve Ducharme, who took Bill’s position as Chairman.

And Dennis Nylander from Nevada were participants. Other Mississippi, Missouri, Illinois and Colorado were also represented at that.

CHAIRMAN BIBLE: And New Jersey.

MR. BELLETIRE: And New Jersey were also represented at that session. That group of people then made contributions to this. The paper was revised, added to and then that paper was sent then to all, not only those states, but to the Chief Regulators in all of the other states that have any level of visible operating casino gambling. We didn’t, for example, go to California or to some of the smaller western states that have, and South Dakota which has casino gambling.

We did not incorporate them simply by virtue of, you know, the time frames we operated under. We were looking at about a month and a half time frame to try to get something put together for this Commission. So I don’t think --

MR. MCCARTHY: How many states did you end up getting to?

MR. BELLETIRE: Ten. Ten states that operate casino gambling.
MR. MCCARTHY: But then you said you sent it out to some other states.

MR. BELLETIRE: No, collectively we added to the original states that I named, Indiana --

MR. MCCARTHY: Okay.

MR. BELLETIRE: -- Iowa and Louisiana.

MR. MCCARTHY: Okay.

MR. BELLETIRE: So we, and Michigan. Although they’re --

MR. MCCARTHY: Not operational yet.

MR. BELLETIRE: Yeah, they’re not operational. But what I was trying to do was to keep it to those states that had large scale casino gaming operations as opposed to Indian gaming issues. And the experiences of the states with Tribal gaming. Which, early on I talked to the Chairman and I think the states are in a very difficult position to start talking about what we think Tribal gaming regulation ought to be.

Because we don’t have that, and the people who tend to deal with Tribal gaming at the state level, are really not necessarily regulators. They tend to be the tax people, for the most part. And in some instances they are trying to do a secondary regulatory function. But we didn’t get into that area, by design I guess. Partly again because we have a limited time and a limited agenda. The audience I think, I think there’s two purposes to this paper, as I see it.

The first is to say that, to send a message that the states that are regulating casino gambling believe that it can be done responsibly and don’t believe that the Congress and the United States ought to be stepping in and deciding how to, how to
take something which the states are properly regulating, in our
judgement, and supersede state authority.

So in part the state is erecting, out of an attempt
to say to Congress, we’re doing these things, you ought not to.
The second message I think is that from the standpoint of the
states to themselves, there are other states out there which
might want to consider legislating casino gambling. And rather
than weigh in on the question of whether that’s a good or a bad
idea, what this paper attempts to do is to say, if you’re going
to consider legislation, here are the elements that need to be
given serious consideration for what is in your best interest.

What are the collective comments, experiences and
observations of the states.

MR. MCCARTHY: Now all of these states that you’ve,
they are charged under state law in their respective states as
only to regulate casino gambling?

MR. BELLETIRE: Not exactly. I know for example in
the state of Iowa, that is a Racing and Gaming Commission, so
they regulate race tracks.

CHAIRMAN BIBLE: In Nevada the agency --

MR. BELLETIRE: In Nevada --

CHAIRMAN BIBLE: -- they regulate racing.

MR. BELLETIRE: Right.

CHAIRMAN BIBLE: Not much, but some racing.

MR. BELLETIRE: Right. And, but in Maine, these are
single purpose entities. Almost all of the states have a
separate regulatory -- none of them, for example, are in any way
involved in the state’s lotteries, for example.
CHAIRMAN BIBLE: Well, and Dr. Morris stated a good example where they initially had the agencies in the Revenue Department.

MR. BELLETIRE: Right.

CHAIRMAN BIBLE: They moved it out as a stand alone agency.

MR. BELLETIRE: Some of the states do have, they’ve created a fusion of staff interests although they have a separate Commission. So that you get some states that have their Attorney General’s office have a branch that may in fact handle other issues of a gambling nature, but serves the gaming authority as their counsel.

MR. MCCARTHY: And was it in those few states, and I don’t spend as much time on this as Mr. Chairman. In those few states, are the set of fundamental needs to have a good state regulatory scheme over casinos, do they in the main carry over to, say, horse racing or some other form of gambling? Private sector.

MR. BELLETIRE: It varies from state to state. I can share with you the Illinois experience. Much of what is in our Act, actually started out in our Horse Racing Act. The integrity issues, the investigative authority. While it was assigned differently to our Racing Board and we still do have a separate Racing Board, the words themselves, character, integrity, background, you know the kinds of phraseology that is in our Act that suggests that we’re looking to see that the people are suitable for involvement, was borrowed in many instances from racing legislation.
That’s true in Illinois. I think several of the other states don’t even have racing, however. I don’t believe the state of Mississippi has horse racing. I don’t believe the, there’s only one race track in the state of Indiana and that got started after casinos did, I believe. So it’s considerably variable.

The, much of what we’ve tried to do here is to avoid being overly -- we left things without saying, this must be done or this is the right way to do it. Partly because the states’ experiences were diverse. At the end we make a comment that perhaps should have been made at the beginning. Because, and Commissioner McCarthy alluded to this earlier. It, we’re not trying to hide from this either. The state of Louisiana has corruption in its casino operations.

And may have in other areas as well. There are now five people under indictment and a number of people have pleaded guilty to in effect funneling monies to public officials and intermediaries. Whether those public officials are guilty or not is up to the courts to decide. But there is no question that it involves the gambling industry.

The reality is that nothing about their statute, nothing about their framework even, would have allowed it. And so it is fundamentally true that you can write the statutes as tough as you want, there are probably some things that are in this paper that you probably ought to put in and Louisiana didn’t have in. But still is a person business. It is still not accepting the climate. And it is still, and putting the authority in people’s hands and holding them accountable for that authority and the individuals accountable.
That is the only way to enforce this. And I wouldn’t care if there was one national Bill. There would be, I don’t want to disparage IGRA, but when you wait ten years, when the national, when the federal government waits ten years to have it, to put out minimum internal controls for tribal casinos, that tells you something about where the priorities aren’t as far as controlling and regulating gambling. So here you’ve got a federal entity that waits a decade to put out what we had to put out before we even issued licenses.

CHAIRMAN BIBLE: Or opened the first game.

MR. BELLETIRE: It just, and so the point is that you can create a body. You can create high sounding law and action and if you don’t put in charge people who understand that they’re out there to protect the public and the interest of their government in authorizing this illegal activity. And expect from them the intensity that goes along with it.

And the logic that goes along with that, it isn’t going to work. So the Louisiana issue underscores, I think, not that states can’t handle this, but that any state, if it doesn’t handle it properly by the people it appoints and by the actions that they take, could have a problem. I don’t think the other state experiences have been, suggest that any state is missing something fundamental. I think the heart of the message that, in terms of the differences in the states, is how do the states themselves approach the concept of limiting gambling.

Or of regulating it from a philosophical point of view. Illinois is the best example of a state that limits gambling. What we do is, we not only say there’s only ten licenses, we make them operate as river boats. We limit the
physical places they can be, not only to water but to certain areas of the state that don’t even allow it. So Cook County and Chicago do not allow, we do not allow a license to operate there. And further than that, no matter how big a boat you have, you can only have 1,200 gambling participants at any point in time. So our legislature, whether wisely or otherwise, decided that we’re going to try this and we’re going to do it by limiting it. Mississippi took pretty much the Nevada approach. They added a little water to it, but basically it’s whoever can come in and satisfy the basics of their integrity and the finances that are necessary to open up can open up.

And competition itself tends to be the driving force as to what, as to what it is that you are regulating. And you watch people go out of business if they don’t run the business well. In Illinois, that’s not the case. We have --

MR. MOORE: Can I comment on that?

MR. BELLETIRE: Yes.

MR. MOORE: Mississippi, we have a Governor that no one thought would ever be elected. He was not a politician, he was an Engineer, had an engineering company along the river of Mississippi. And so how or another he got elected. And when he was, he ran against, his platform was no gaming in Mississippi. But of course the legislature, and they never did go to a vote to the people, the legislature passed this with a referendum or whatever you call it of waterfront gaming as he alluded to.

And so what’s happened there is when it came to the licensing, he took and probably appointed the best Board that he’s ever appointed at that time. And he took the position of the American way. We’re not going to limit them. If
they can come -- but we’re going to regulate them. If they can come in and if they got, if they can go through the checks, if they’ve got the money and if they want to put a boat there, we’ll give them a license.

And he sort of laughs and says, it’s just like in the construction people, business, it will be survival of the fittest. And we’ve had some that’s gone under.

MR. BELLETIRE: And I guess the point that I was making, Commissioner, is that we’re, if you contrast that with Illinois or even with Louisiana --

MR. MOORE: Right.

MR. BELLETIRE: -- where there are a limited number of licenses, the kind of corruption that you find is what goes on, what went on or what has been alleged to go on in Louisiana. Which is, I’ll let you have a license -- it’s political insiders that get involved in the granting of the license. Not necessarily to disreputable individuals, but in exchange for consideration.

Now if you don’t have to, if all you have to do to open up is fundamentally be a straight arrow, pass through the suitability process and have the money and the site, you’re less likely to have to pay some politician to get there. But that is what, that is, that’s separate from just keeping casinos honest. The frank fact of the matter is, casinos will tend to stay honest over time with good regulation.

And they’re, they can make a lot of money if there’s only a handful of them anyway. So once you’ve got a license in Illinois, there is absolutely no incentive to start cheating, to start skimming, because it is too lucrative to skim. I mean you
are making too much money. Now, and so there is very little incentive for people to not play a fair game, I guess you’d say and to not pay their taxes, even as high as they are in Illinois.

I might point out that the average tax rate in Illinois and Indiana on the dollar won by the casino is about 33 percent. The various taxes that get layered on, state and local. So out of every dollar the casino wins, 33 percent of it goes into the, to state or local government in both Indiana and Illinois. We’re the highest two jurisdictions, I think. And those are effective rates. We generated 337 million dollars last year in gambling taxes. And Indiana has about a like number.

And all of our casinos, save for one, remain profitable to spite a very heavy tax rate. They all remain profitable. In short, there’s money to be made in casinos run well, when there’s limited licenses. And that’s what puts a premium on these licenses. And that’s why safeguards ought to be there statutorily. If you’re going to say, we’re going to limit this, there needs to be statutory safeguards as to the expectations about how a license is awarded.

We’ve, the paper has suggestions on elements that ought to be there. Having said that, I’ll just return to what I said, which is we can, you can put it in the law but if people don’t follow it, it isn’t going to change. The local governments can honestly be the biggest source of problems. The local Mayor, who’s brother owns something that gets involved and they cut a sweetheart deal. That’s happened. We took a pretty, we were very fortunate.

Nobody knew this was going to be this successful when we got started. And so there were very few sweetheart deals or
other kinds of inside -- in fact, literally, the guy that was my predecessor literally went to gambling companies in Nevada and begged them to apply in Illinois. Most of them didn’t. Most of what we got started were small, successful businessmen from other businesses in Illinois.

Eventually they got bought out by larger casino interests. So we got, we were fortunate. Nobody realized how lucrative this was. Indiana and Missouri had more problems because they followed us and followed some of our success. And what they got involved in were more serious bidding wars and problems involving local units of government and local officials. And they had more difficulty in making their decisions. It took them longer to make some of their decisions as a result.

MR. MOORE: How do you make a decision when you have ten licenses. I mean, you know, like I already knew, I’m so smart, I already knew that LA was going to get the expansion and Houston wasn’t going to get it. So how do you determine who gets these licenses?

MR. BELLETIRE: Well we had, the last license that we awarded had four competing applicants.

MR. MOORE: Okay.

MR. BELLETIRE: They had four physically separate sites. Our law, and this gets --

MR. MOORE: They had four different sites?

MR. BELLETIRE: They had four, physically different sites. Our law provided some guidance to our Board. It asked for revenue, maximizing revenue to the state, having a position effect on economically depressed areas and a level of experience in gambling operations that, in effect, warranted success and a
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financial means. And those became the primary criteria that went
into the decision and ultimately this is the last site chosen
from among those four competitors was the most economically
depressed community, Elgin, Illinois.

It is now the home of the most successful casino,
non-travel casino in America, the Grand Victorian, which
generates about 250, it’s a single operation, 1,200 position,
generates 250 million dollars worth of casino-only revenue.
Which puts it on a par with the Mirage, basically, I would say.
And it’s 30,000 square feet.

MR. MOORE: And that’s a boat?

MR. BELLETIRE: And it cost 100 million dollars, the
whole thing. They had their money back in 12 months.

MR. MOORE: So you was correct when said there is
profit in gambling?

MR. BELLETIRE: Yes, I’m sure of that. There’s
profit in exclusivity. There’s profit in exclusivity. And I
think that that level, that exclusivity drives and motivates
people. And the industry should also be admonished because the
industry played as much a part in letting Louisiana happen as
Louisiana did.

MR. MOORE: But it’s been happening a long time.

MR. BELLETIRE: In, I’m not --

CHAIRMAN BIBLE: Well, what I saw is that part of the
problem down there was the local partnering aspects of them all.

MR. BELLETIRE: Yeah.

CHAIRMAN BIBLE: Where you had to have a local
partner.
MR. BELLETIRE: Yeah, but casino CEO should not allow themselves, ask Skip Evans, you know, what he would not do in retrospect.

CHAIRMAN BIBLE: He’s in Missouri.

MR. BELLETIRE: Yeah.

CHAIRMAN BIBLE: I understand.

MR. BELLETIRE: I mean they should not allow themselves to be extorted. And they should be prepared to walk away and to say, if this is the only way we’re going to make money, that is to take care of somebody’s brother-in-law and to do this and to make the under-the-table payments or commitments to future payments or in effect wink or look the other way when somebody says, don’t you need legal services and why don’t you just give me $250,000.00 a year and I’ll pay for those services or I’ll take care of you.

And you have to go out and hire lawyers to do the legal work. I mean those are, no responsible business executive should allow himself to be put in those positions because he knows exactly what he’s doing and that’s the position that our Board is taking. And as we scrutinize some of the companies that are in trouble in Louisiana are in trouble in Illinois because we say their license should be jeopardized over what we, how they behave as a corporation irrespective of whether it’s against the law in Illinois or not.

MR. MCCARTHY: Do Governors generally, in all the states that you’re aware of, appoint the members of the Regulatory Commission?

MR. BELLETIRE: Yes, yes.
MR. MCCARTHY: So the legislatures in any of those states, they don’t say, well, we want half or we want a third?

MR. BELLETIRE: No.

MR. MCCARTHY: Because they do in some other Commissions, as I’m sure you are aware of?

MR. BELLETIRE: No, that’s --

MR. MCCARTHY: So in this instance, if the Governor is, has the character to stand up to unsavory influence, somebody wanting to buy their way in, he’ll appoint people to these Boards that will be of like mind. And will prevent that kind of thing.

MR. BELLETIRE: I think that’s certainly been the experience in the midwestern jurisdictions. I can speak most carefully for that. I can’t tell you that much about Mississippi or Louisiana, historically, in terms of their view of this. I think Nevada is a good example though of -- I think the other thing is that we’re young enough in this experience that we still have an attitude.

That is to say that we’re not quite as -- did you, let me contrast it. If you go to our Racing Board, you will find our Racing Board much more of an advocate for the racing industry and a much more pliant body with regard to what’s regulatorily necessary. They have a 70 year history in our state.

CHAIRMAN BIBLE: Well, they tend to be promoters.

MR. BELLETIRE: They tend to be those that are promoting the industry and Governors tend to appoint people with an interest in the industry’s success.

MR. MOORE: Well that’s what we have to be careful about.
MR. BELLETIRE: And so what I’m saying to you is that so far the experience in Illinois, Indiana, Missouri and Iowa even, in particular, is sort of a tight, tough attitude on the part of the appointees.

MR. MCCARTHY: Is that characteristic across the, we’re finding in the instance of state-run lotteries, for instance, that they are far more promotional than they are regulatory.

MR. BELLETIRE: That’s correct. In the instance of Regulatory Commissions --

MR. MOORE: What did you say? In what?

MR. MCCARTHY: Far more promotional than they are regulatory.

MR. MOORE: In lotteries?

MR. MCCARTHY: In the instance of State Commissions that are supposed to watch what casinos are doing to make sure they’re a clean operation and they’re not cheating the public, etcetera, etcetera and they don’t traffic with organized crime, as historically in some states they did. You’re saying they are essentially regulatory. That any of the big states, there is ten or 11 states that have the bigger, non-Tribal casino operations, but they’re regulatory.

MR. BELLETIRE: Yes. I will say this, that there are degrees and differences among the states. Missouri, for example, has been criticized on occasion by those with, and Tom Gray for example, for being to advocacy-oriented in their work now. And I’m going to share with you what they’ve done.

MR. MCCARTHY: Advocacy --

MR. BELLETIRE: They have taken --
MR. MCCARTHY: Pro-industry.

MR. BELLETIRE: They have taken a position that the $500.00 loss limits that are a part of Missouri law, that is you can’t lose more than $500.00 in a casino in Missouri, are counterproductive and hurting the state and hurting their industry. The Regulators took that position. That becomes controversial. And so Tom Gray has labeled them an advocacy group. Our Board has been anything but advocacy and we’ve been pretty much straight and narrow regulatory and have not done anything to, what I would call, promote in the least gambling activity.

I think you get a different level of experience as well, again, with time. Nevada’s experience over the last 40 or 50 years has been an evolving one. And frankly things that are acceptable and tolerated in Nevada, while they are not promotional, just won’t be accepted in Illinois. In short, the intensity of that regulatory experience does vary from state to state.

New Jersey has moved away from being, sort of the hard-nosed, put an internal control on everything that moves and license a whole lot of entities, to a more friendly state. And in the process, I think has changed their attitude towards gambling and regulation. They have really tried to say they are a little bit more open and they are encouraging a development now more so than they had been during the 1970’s and the early ’80’s, I think.

So it’s a, it differs. But the midwestern states, with the exception of what I alluded to in Missouri, are pretty much not pro, promotionally oriented.
MR. MCCARTHY: Now I do get your point very clearly that it’s certainly not enough to have a series of laws and regulations based on those states, the spirit in which they are enforced. It’s the whole tone without necessarily being harshly antagonistic, yet clear in what the law is and clear in how you’re going to see this enforced. That is critical. I had just a couple of other thoughts, Mr. Chairman, if I may.

CHAIRMAN BIBLE: Sure.

MR. MCCARTHY: I really thought the paper was a very good piece of work and it is well organized and it really gave me the tone of what’s happening. So thank you for doing all this work. I thought when you got to problem gambling and I guess it’s because most of the state regulatory commissions on casinos aren’t really into that, that that was a bit soft, that area.

But then I’m not sure I would expect you to have a lot to say on problem gambling because frankly most of the states aren’t doing much of anything on problem gambling. And I don’t think it’s particularly in your regulatory agency anyway. I think that’s probably somewhere else, maybe a little bit more appropriate. I don’t know. That’s something that I’d like to hear more conversation about.

But I wanted to get to a point that I had mentioned to the Chairman a little bit before we began. Your comments about, about alternate (non-casino) settings. We’ve been trying to get a handle on states like South Carolina and there are several more states like that that have an abundance of video poker machines, other devices in restaurants and convenience stops and so on to, you know, at least have some grasp on what’s
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happening there and what we should be seeing in the final report
about those.

Now you said you didn’t contact any of those and I
can understand why you wouldn’t. But I’m wondering how fair and
reasonable it is to take most of the requirements that the busy
casino, non-travel casino states that you’ve had and the Chairman
originally at the time stamped out the questionnaires I’d like to
send out. But I’m thinking I’d like to send a questionnaire to
those six or seven or eight states Governors with a lot of and
I’m not asking you to offer this.

And I know, I know regulators in one state are loathe
to tell another state what to do and they all dance around that
very politely. And I understand that, that’s peer protocol. But
I’m thinking that, I’m not even sure the Chairman would want to
offer that --

CHAIRMAN BIBLE: That sounds like a research project
to me.

MR. MCCARTHY: Well, it might come out of the
research Subcommittee, guided by some of the work that we’ve been
presented with here in this Subcommittee. But it would seem to
me that regulation is so loose in some states that maybe
relatively small today in how much casino-type machine revenue
they are generating, but could be very big. And South Carolina
is a pretty good example of that. It could be very big in
another five years.

So trying to ask that and obviously any Governor we
would send this to could say, hey, this is my business, that’s
why they elected me here. Well, fine, then we could put it in
the report that they didn’t want to answer these very simple questions, they didn’t cooperate.

CHAIRMAN BIBLE: Well, the question becomes more complicated when you take a look at the term gaming device. Because the term gaming device includes a lottery terminal in most instances. So while Mike will say that they don’t have the problem in Illinois, people that live in Illinois --

MR. BELLETIRE: We have the problem in Illinois.

CHAIRMAN BIBLE: -- you’re going to find lottery terminals all over the place.

MR. BELLETIRE: Well, it’s not only that, but we do have a problem in Illinois and we have Gray machines.

CHAIRMAN BIBLE: You have a lot of Gray machines?

MR. BELLETIRE: Sure, VFW Halls and American Legion Posts, you go into the bar and right behind the bar there might be 25 of these machines and the local sheriffs are going to let them sit there and do it. And they have, and they wager money on these things. And it’s known and it’s illegal.

CHAIRMAN BIBLE: Do you have any enforcement --

MR. BELLETIRE: No, no.

CHAIRMAN BIBLE: So that’s --

MR. BELLETIRE: That’s a state, that’s a Sheriff’s responsibility in the county and Police Chief’s responsibility in the city and the State’s Attorney responsibility to prosecute.

CHAIRMAN BIBLE: Are you looking into a law enforcement issue?

MR. BELLETIRE: Yes, we are. And when we find it, we report it.

CHAIRMAN BIBLE: But you can’t take action yourself?
MR. BELLETIRE: We’ve chosen not to because if we
started responding to all of that, number one, we’d have
jurisdictional issues. And the Sheriffs and the police guys
would go nuts with this simply because we would be -- this stuff
doesn’t go on without local officials accepting it to some
extent. And therefore we’d be, we’d be stepping on, we’d be
stepping on some toes. And we don’t need, I mean we’re bringing
in 337 million dollars a year to the state of Illinois and we
think that it requires all of the energies we have to make sure
that that’s --

MR. MCCARTHY: Well, I know that that’s not up to you
to call, but there could be a lot of bad stuff happening out
there.

MR. BELLETIRE: Sure.

MR. MCCARTHY: Nobody is shining a light on it.

MR. BELLETIRE: No, and to be honest with you, I think it’s close
to the Internet question, which is why in the world should these
things exist? Why should this, why should this be? If casinos
can be well regulated and the ownership investigated thoroughly,
why in the world should we have every little dime store or every
little bar have gambling devices. In Illinois anyway, as a
matter of public policy, we don’t want that. And Nevada does,
though.

CHAIRMAN BIBLE: But you have them though.

MR. BELLETIRE: But we have them and they are
tolerated.

CHAIRMAN BIBLE: They are completely unregulated.

Because you are going to find like some states, like Oregon has
convenience devices scattered throughout the state in a number of
locations. They are all on line, they are subject to on line monitoring. They are controlled by the state --

MR. BELLETIRE: And that’s what you need to do.

CHAIRMAN BIBLE: The same thing is done in Louisiana or Louisiana cuts stops in terms of raising the accountability aspects. Now where are they making, maybe a different decision in terms of owner suitability and things of that nature, but some states and you used the example of South Carolina. And there was just a fairly large article in USA Today and they are virtually unregulated. The Governor was elected supporting the continuation of those devices but indicated he favors the regulatory approach.

I just wait to see what actually emerges from --

MR. MCCARTHY: Thirty thousand outlets in South Carolina.

MR. BELLETIRE: Well, it’s a nightmare. And without a central computer system to hook them up like lotteries do, I mean all the lottery terminals in Illinois and in every jurisdiction, virtually, are all hooked into the same master computer and they are all constantly monitored for activity. And there are various integrity checks within the lottery computer system itself. So you can’t buy a lottery ticket in Illinois, a lotto ticket in Illinois without a record being created as to what, what number you got.

And who’s, and what outlet sold it to you. And they are all on line and they are all constantly monitored. Now if you don’t do the same thing --

CHAIRMAN BIBLE: But you can be 12 years old.
MR. BELLETIRE: Yeah, that’s true. If you don’t do something similar to that with regard to trying to regulate ten, 12, 15, 30,000 outlets or devices in thousands of outlets, you run the risk, number one, of unscrupulous activity. And number two, of a kind of, well, my personal beliefs, and this is personal, is that this is addictive activity and that it is dangerous.

MR. MCCARTHY: Slot machines --

MR. BELLETIRE: I will relate to you what my Governor, my former Governor, said to me when I was on his staff and he was asked by the coin operators to legalize these things. And he, they presented a paper about the illegal, the gray area stuff and you could tax this and here’s how much it would be worth and it would be run with integrity and we’ll submit to any regulatory requirements you want.

And he said to me that he personally -- I said, you know, I said, he says, I don’t want anybody losing their paycheck. And I said they can lose their paycheck now. And he said, you know what, but I go to sleep at night knowing I didn’t let them. And so his attitude was that there are some things that a politician can’t prevent, but once you lend your name to them, you are a part of them.

Once you say, we can regulate it, you’ve made it a threshold decision. And I think for him the threshold decision was, I don’t want somebody losing their paycheck in some machine sitting there. And he’s prepared to distinguish that from the casino environment. He was prepared to, because as he said, we limit the access to casinos. We do have more controls. And if over time, by concentrating the activity there, we can find out
that there are too many people with a problem, then we can decide as a matter of public policy whether to shut it down or not.

But once you spread this out to 15 or 20,000 liquor establishments in the state, you’ll never get rid of it.

MR. MOORE: As a regulator, don’t you believe that if a state legalizes gambling, don’t you think that that state then should take a stronger stand than it would ever take to make sure that there was no illegal gambling? These gray machines, I believe that the state of Illinois or the state of Mississippi ought to go after these illegal machines. If they are at the VFW. I came, I come from a state that had a lot more gambling and liquor and all of that before we finally legalized liquor.

We was one of the last states in the Union to legalize liquor, along with Oklahoma. And it just seems to me that once you legalize it, well hey, we need to go get those, we need to go get them. Let those people -- and I know that I have friends that go to the VFW and they see all and have their steaks and their liquor on Friday night and I might go with them. And there are slot machines at certain areas.

MR. MCCARTHY: I come from a state with a lot of sinners.

MR. MOORE: That’s right.

MR. BELLETIRE: I can only tell you that the biggest gambling scandal in Illinois is something that the state of Illinois couldn’t do much about. The most recent biggest gambling scandal and that was Northwestern’s University betting scandal. There is nothing that anybody in Illinois wanted to make legal about that and there was not very much the state of
Illinois, as a whole governmental body, could have done to prevent it.

CHAIRMAN BIBLE: I understand you are going to provide testimony to the full Commission tomorrow?

MR. BELLETIRE: That’s my understanding. I was going to talk to --

CHAIRMAN BIBLE: The same, same sort of thing?

MR. BELLETIRE: Yeah, I was going to be a little more parsimonious and focused.

CHAIRMAN BIBLE: Okay. Well, I personally appreciate the work you’ve done.

MR. BELLETIRE: Well, thanks.

CHAIRMAN BIBLE: I think it’s very helpful to give us a foundation as we go forward with another chapter on regulation that hopefully we’ll get crafted before we employ it.

MR. BELLETIRE: Well, if I can do some follow up, although I’m not likely to be -- I am leaving my position sometime within the next 45 days. So, but I’ll, from the distance if I can be of help, I’d be happy to.

CHAIRMAN BIBLE: Okay. We appreciate your assistance.

MR. BELLETIRE: Okay, thank you.

CHAIRMAN BIBLE: I don’t think we have any further business to come before us today.

MR. MCCARTHY: Does Mr. Wang want to testify?

CHAIRMAN BIBLE: I don’t believe so. I think he came in for a 7:00 meeting. There being no further business, the meeting is adjourned.