CHAIRPERSON JAMES: With that, I will remind Commissioners this is very informal. Please?

MR. CASHEN: I’ll yield to Margaret. She covered everything for me, Commissioner. Thank you

COMMISSIONER MOORE: Not being a racer, do the owners of the horses like it? Does a horse owner like win, place, or show? Does the person or the corporation who owns that horse get paid in relation of whether they win, place, or show in expense money or how is it? What are we talking about?

MR. FOREMAN: The horse owner owns the purse. And the purse is the prize winning that is advertised by the racetrack for each particular race. It might be $20,000. It might be $5,000. It might be a half a million dollars.

The winning horse typically gets 60 percent of the advertised purse. And that’s paid down 60 percent and then percentages from second, third, fourth. Some states pay back to last.

COMMISSIONER MOORE: What about if he comes in tenth? Does he get anything?

MR. FOREMAN: In some states, he does. In Maryland, for example, every horse participates in a race. The owner collects some money. It’s an incentive to help bring these horses to the racetrack.

COMMISSIONER MOORE: Well, that’s what I --

MR. FOREMAN: And that’s important because that’s the money that flows back through the network of people associated
with the horse. It keeps them in business and encourages the owner to come back and want to buy another horse.

COMMISSIONER MOORE: That’s correct. That’s why I --

MR. CASHEN: Dr. Moore, that’s true with dogs also. It’s true that dogs racing in a particular greyhound race receive a part of the purse.

COMMISSIONER MOORE: Good.

MR. PUTSAVAGE: One last point. That stated amount in those distributions, depending on what place you finish, is totally independent of the odds or the amount wagered on the race.

COMMISSIONER DOBSON: If you recognize the responsibility to help support treatment programs and to assist those who are pathologically addicted, what would be the mechanism for that? How should that be supported?

MR. HICKEY: You mean is there one organization that you could go to?

COMMISSIONER DOBSON: Yes. Is there an intermediary that would provide that money? Does that go directly to the Gamblers Anonymous? How would you see that supported?

MR. HICKEY: Well, there is support from tracks and groups at the state level. At the national level, this is a very individualized industry. I mean, for example, the American Horse Council has 180 organizational members, but perhaps 30 or 40 of them are involved in racing.
The National Thoroughbred Racing Association is exclusively thoroughbred racing, although they have some relationships with standard-bred and quarter-horse racing.

In terms of trying to get one group to collect or to work with, I would suggest that the NTRA might be that group, although I can’t necessarily speak. We’re basically organized at the state level, rather than the federal level, for the most part. But in terms of the one national group, I would think NTRA would be the one. And then they would have to contact the quarter-horse and standard-bred racing parts.

MR. PUTSAVAGE: Let me also respond in a different way. I think you were also touching on ultimately what’s the treatment model, what is the organizational model that would provide treatment. And at least at the tracks that have begun to approach this, it’s starting inward and working out. So it is in the form of an employee assistance program.

I believe -- and I will check this fact -- that Churchill Downs has followed what I think is something of the role of the casino industry in providing insurance coverage.

I think there are other avenues. Whether it’s not-for-profits, whether it’s for-profits, I think there might be some need to recognize the individual states’ roles in this because every state that authorizes pari-mutuel wagering garners significant revenue directly from that.

COMMISSIONER DOBSON: I would like to extend this question to my own colleagues in the industry here. With regard to the anxiety that I’ve heard expressed that if this is not set
up right, the industry will begin to call the tune for or own the
treatment process. If there’s not some mechanism, some
intermediary, some way of supporting it without the one who is --
you know, paying the piper is calling the tune.

MR. CASHEN: Dr. Dobson, I just answered a question
with respect to Iowa, which is advanced in the area of
pari-mutuel racing in combined alternative gaming with casinos
attached.

They have a fund which is paid to the state, and the
state administers a particular fund for treatment, care, and
education of problem gambling. In that instance, both of the
tracks, the dog tracks, in Iowa contribute substantially to that
fund, which is then out of their hands and administered by a
state fund to deal specifically with the problem gaming.

COMMISSIONER DOBSON: Do you recommend that on the
basis of how you’ve seen that work?

MR. CASHEN: I don’t know how -- I think that’s a
question of how each state looks at their situation. I’ve just
left and returned from an annual meeting, where the track owners
and operators have all agreed to undertake an educational program
to their managers of dealing, recognizing, and coping with
problem gaming. And I think that is a start and a good start as
far as the individual track.

With respect to what the states do with regard to the
effectiveness, the success they’re having, I think that is an
area that should be explored.
COMMISSIONER DOBSON: Madam Chairman, this is an issue I think our Commission really ought to deal with. We’ve talked a lot about it, but we haven’t really addressed what that mechanism is. And I wouldn’t want to end the Commission without some recommendations in that regard.

CHAIRPERSON JAMES: What would you recommend?

COMMISSIONER DOBSON: Well, that’s why I asked the question. I’m not sure. I don’t know. That’s why I also asked how Harry and Bill and others would recommend it.

COMMISSIONER BIBLE: Do any of the states allocate a portion of the takeout for treatment programs? Is that the mechanism in Iowa?

MR. CASHEN: I don’t know the answer to that, Mr. Bible. I know that there is an assessed fee. And how they assess that fee, I’m not sure.

I know that in Connecticut, the pari-mutuel track, which is right next to the two Indian casinos, they are barely alive. If somebody went and did a patron survey at that track, they would have had --

COMMISSIONER BIBLE: That wouldn’t be the case, but at least when I’ve seen takeout breakdowns by state, you usually see 30 or 40 items arrayed where the agricultural association gets so much and the local county fair district gets so much and things of that nature.

Are treatment programs allocated in any jurisdiction as far as that takeout?
MR. FOREMAN: I believe, Commissioner, that Delaware may allocate a portion of the revenues as part of the legislation which legalized --

COMMISSIONER BIBLE: And that would go to like a council of compulsive gambling or some similar entity?

MR. FOREMAN: Yes, I believe so.

MR. CASHEN: I think they --

COMMISSIONER BIBLE: That would be the only state that would do it, the only one that I’m aware of.

MR. CASHEN: I think that was the directive, any state where they’ve authorized alternative forms of gaming, such as Delaware and West Virginia, that in return for the alternative forms of gaming at the pari-mutuel site --

COMMISSIONER BIBLE: So you’re saying that was a negotiation with the legislature. The legislature agreed to let them do other forms of gambling in return for allocation of a portion of the takeout for --

MR. CASHEN: Among other things, education and other civic programs that the state has identified as priorities.

CHAIRPERSON JAMES: But how do you answer Dr. Dobson’s specific question in terms of ensuring the integrity of those treatment programs if they’re not controlled or run by the industry or states? Recommendations?

MR. PUTSAVAGE: I’ll offer one more observation there. I think one avenue that -- and I can’t speak to exactly where this implementation stands, but several states have looked to their substance abuse offices to become the conduit for funding
treatment providers, whether they be not for profit or I guess conceivably for profit as well.

I’d offer the suggestion you also consider the dynamic tension that you don’t want to create a monopoly provider either. While you have concerns about independence, I think that you would have concerns about setting up a statutory monopoly provider.

CHAIRPERSON JAMES: Any recommendations for models?

COMMISSIONER McCARTHY: Just some information generally, Madam Chair. The Research Subcommittee is gathering information with the help of the National Council on Problem Gambling as to the kinds of programs that exist across the country in all states and which sectors of the gambling industry are involved in helping to fund some of those.

So we have very preliminary interests. It’s not complete. So I hesitate to say that I don’t see much evidence here that the horse-racing or dog-racing industry is contributing to the availability of treatment programs. Again, this is an incomplete list. So there may be something out there that’s still being developed. When we have it, we’ll share that with the entire Commission.

In addition to that, in the casino questionnaire that went out, -- and we hope to give a partial report on that Friday afternoon -- we asked a number of questions about funding programs. And that will be informative.

In addition, as Mr. Putsavage just indicated, I asked Dr. Curtis Barrett, who is here, -- there he is -- a series of
questions that I think we could work on just a little bit more
and told him that we had asked the same questions of the casino
industry.

So we’ll compile all of that information and give it to
the final Report Subcommittee. I think we can make something out
of that.

CHAIRPERSON JAMES: Yes, please? We have a --

MS. PURZKOFF: Excuse me for butting in like this. I’m
Lisa Purzkoff.

CHAIRPERSON JAMES: This is not butting in. This is
well within procedures.

MS. PURZKOFF: I’m Lisa Purzkoff. People can usually
hear me. I’m with the Delaware Council on Gambling Problems.
And we have some legislation which could be used as a model.

I have asked my office to fax down one page having to
do with how pathological gambling is dealt with, which is
probably sitting at the hotel now, and to FedEx the entire piece
of legislation, which will be here before 10:00 o’clock tomorrow
morning. And I was going to get that to the Commissioners,
frankly, in any case.

CHAIRPERSON JAMES: Well, when it’s available, why
don’t you let us know? And we’ll try to make it available to the
entire Commission.

MS. PURZKOFF: Meanwhile, if you have questions of that
sort, I would be happy to try to --

CHAIRPERSON JAMES: Could you tell us very briefly what
that model looks like?
MS. PURZKOFF: Yes. This is legislation that does not specifically mention the horse-racing industry except inasmuch as slot machines benefit the persons and so forth as you have referred to.

The wording says, I believe, $100,000 or one percent, whichever is greater, shall be set aside from the state’s share of the gross profits for programs for education and treatment of pathological gamblers and their families.

CHAIRPERSON JAMES: And who controls the $100,000?

MS. PURZKOFF: It goes to the Department of Health and Social Services and then to the Division of Alcoholism and Drug Abuse and Mental Health. And then they control the RFP process.

As it happens, we happen at the council in Delaware to have most of the money because we were the only ones who sort of knew about the field when this whole thing came up.

Other states, such as Iowa, have handled it very differently.

CHAIRPERSON JAMES: Does the state take a cut of that for administering the 100,000?

MS. PURZKOFF: Over my dead body.

CHAIRPERSON JAMES: Thank you very much.

MS. PURZKOFF: At least not that I know of yet, but I shouldn’t have said that. I’m sorry.

COMMISSIONER DOBSON: The money, then, does not come from the industry but comes from the state’s portion of that?

MS. PURZKOFF: Yes, and that was made very, very clear.

That was the only basis on which they could agree to get anything
at all for pathological gambling, that it would not come from the
track’s share of the profit.

COMMISSIONER DOBSON: Who is "they"?

MS. PURZKOFF: They.

COMMISSIONER DOBSON: They, the state?

MS. PURZKOFF: The state and the -- oh, the State of
Delaware, the legislators and the -- it was not a referendum in
Delaware. This is a legislative issue.

COMMISSIONER BIBLE: And this is a proposal?

MS. PURZKOFF: It was a horse-racing industry as the
legislature.

COMMISSIONER BIBLE: So the horse-racing industry said:
We’ll support the programs as long as you take it out of the
state’s share but don’t increase our share?

MS. PURZKOFF: I don’t think they said it in quite
those words. The message was fairly clear. Of course, this was
all administered through the Lottery Office just to make it --

CHAIRPERSON JAMES: And how much is the lottery kicking
in for this?

MS. PURZKOFF: It’s part of the venue for the lottery.
And I guess it would depend upon who you would ask. I would tell
you nothing, that all of the money that comes for pathological
gamblers and their family comes from the state share of the
profits from slot machine gambling.

CHAIRPERSON JAMES: Well, that is one model.

MS. PURZKOFF: I probably should be more clear.
CHAIRPERSON JAMES: No, not at all. I think it’s very clear.

COMMISSIONER BIBLE: Now, is this law at this point?

CHAIRPERSON JAMES: No.

MS. PURZKOFF: Oh, yes, 1994. It took a couple of years to filter down because they had to get up and running. So we have about two years worth of experience with this, which is not much.

CHAIRPERSON JAMES: Interesting.

COMMISSIONER LEONE: I’m going to shift topics. So if anybody else wants to talk more about the medical problems as they relate to --

COMMISSIONER DOBSON: Other than that we have not heard from the casino industry here. And I do hope at some point you all will react.

CHAIRPERSON JAMES: Jump right in.

COMMISSIONER LANNI: Sure. I have been on record, Jim, for a long period of time that my belief is that I would like to see and my own personal opinion is that this Commission hopefully would support my view that we would make a strong recommendation to the several states in which one form of gaming exists or another.

And that would include the pari-mutuel. It would include commercial casinos. It would include lotteries. And, frankly, I would see that we would make a recommendation to the Bureau of Indian Affairs, the Secretary of the Interior that the Native American casino operations also participate in some form
of the existing privilege tax that exists, which is above and beyond the normal taxes in the individual states because in pari-mutuel, you pay a pari-mutuel tax.

Then you pay an income tax if you have a state that charges state income taxes. You obviously pay federal income tax. So the portion of that privilege tax will be designated and to the termination appropriate by the individual states towards problem and pathological gambling.

I think if you leave it in the hands of the industries individually and the companies within those industries, you’re not going to get the necessary response.

With all due respect to Mr. Putsavage, I would live with the monopoly to be sure that there were sufficient funds going into this particular effort. That’s my belief.

COMMISSIONER DOBSON: Madam Chairman, again we’re down to the last two meetings after this one. I would favor a subcommittee to bring a recommendation to this Committee. This issue is so important it’s one of I think the --

CHAIRPERSON JAMES: That would be your subcommittee.

You’re on it.

COMMISSIONER McCARTHY: You’re on it, Jim.

COMMISSIONER DOBSON: I don’t want it.

CHAIRPERSON JAMES: No, no. You already have it. That is the task of the Research Subcommittee.

COMMISSIONER McCARTHY: The Research Subcommittee.

CHAIRPERSON JAMES: Yes. So you’re already on it.
COMMISSIONER DOBSON: To recommend specifically --

CHAIRPERSON JAMES: Yes, yes.

COMMISSIONER DOBSON: -- what our conclusions should be

in this regard? Okay.

COMMISSIONER McCARTHY: And I thank Commissioner Lanni

for his comments.

MR. PUTSAVAGE: If I might just respond a second,

Commissioner Lanni, I only meant in the sense that you not arrive

at an outcome where you have the actual single treatment provider

that is the sole designated -- not that you have a sole avenue

for funding, but the outcome.

COMMISSIONER LANNI: There is validity to that comment.

There’s no doubt about it. But I happen to believe that it

should be left to the several states to make their own

determination because the issue is much broader in a state like

Nevada, which has far more extensive gaming than other states;

say, Alaska, for example.

CHAIRPERSON JAMES: What do you think about following

your model and then having it go to a particular state agency to

let out on an RFP? What do you think about that particular

model?

COMMISSIONER LANNI: Again, I guess my own view is that

I think we could make a strong recommendation that the individual

states have to evaluate what’s the appropriate manner and

methodology for themselves.

COMMISSIONER BIBLE: An RFP for what? An RFP for

identification or for treatment?
CHAIRPERSON JAMES: Well, I think what she suggested, to request the funds for educational purposes and for treatment.

MS. PURZKOFF: That varies a great deal from state to state. In that particular case, the initial RFP was issued requiring the respondents to address both education, public information, help line, and treatment.

The reason for that was an attempt to create a situation which has happened in other states, where all of the money goes into treatment without the preparatory work of the specialized training needed of treatment providers to identify and treat this illness and without the help line provision, without the links for providing the public in need with the treatment that they do need.

COMMISSIONER BIBLE: So you secured, then, the help line and the treatment component?

MS. PURZKOFF: Yes, yes. It’s a little unusual. We subcontract the treatment component to trained treatment providers once that qualifies to the national council certification criteria. We subcontract that because, of course, we’re not in the treatment business. We’re in the advocacy business. But that’s how it happened in Delaware.

I think it is nowhere else set up like that. Some states all the money goes into treatment. I think that is how it happened in Texas, a great deal of money, it happened in Massachusetts, it happened in other cases in which we were a little unfortunate because the trained professionals were not
prepared to handle this problem. And there was no mechanism to
let the people in need know about it.

COMMISSIONER BIBLE: And the state I assume in a lot of
cases makes the decision or in almost all cases is going to make
the decision whether they’re going to provide the service
themselves to their own professional employees or they’re going
to buy it from a third party.

MS. PURZKOFF: Exactly. And Iowa did that. Minnesota
has a pretty good model. In Delaware, we’re talking now about
shifting off the treatment piece to do a separate RFP.

COMMISSIONER BIBLE: Now, we’re not intending, are we,
to make recommendation as to how the model should be developed?
CHAIRPERSON JAMES: No, I don’t think so, but it was --
COMMISSIONER BIBLE: We don’t have any testimony,
really, to --
CHAIRPERSON JAMES: And we don’t have anything that can
tell us in terms of which of these have the best success rates or
any of that.
COMMISSIONER BIBLE: Any state is going to want to do
it differently.
CHAIRPERSON JAMES: And, of course, every state will
want to do it their way. But I do think it’s important for us to
perhaps give them several different models or suggestions of how
it might work and strongly encourage that they do just that.

MR. MODEY: I’m Dan Modey with Prime Meridian. We had
some recent --
COMMISSIONER BIBLE: There's a third party provider right there.

CHAIRPERSON JAMES: We are not receiving RFPs right now.

MR. MODEY: I understand recently this letter went out that separated the development from the hotline from treatment. And the Office of Management and Budget has a program. That's the most recent development.

CHAIRPERSON JAMES: The only cautionary note that I would throw into the mix is having been in government and I know that very often if you follow the money -- and if there's money for treatment people, you come up with 100 different treatment programs -- we strongly encourage that there be an evaluation component to determine if they are, in fact, successful because I suspect that with a recommendation from us, you'll see these things spring up all over the country and it's just important to encourage an evaluation component, I think.

COMMISSIONER BIBLE: If you provide money, you're going to develop a lot of third party providers that are going to at least undertake treatment programs.

CHAIRPERSON JAMES: Any other discussion points or questions for this particular panel? Yes, please?

COMMISSIONER LANNI: Mr. Leone has a --

COMMISSIONER LEONE: This has given me time to reflect on my comment, and I think I'm going to make it in the later context. We discuss some of broad issues this afternoon.

CHAIRPERSON JAMES: Sure.
COMMISSIONER LEONE:  I don’t want to single out this topic or this group for this framework I think has to be applied across the board. So I’ll let you make up some time.

COMMISSIONER LANNI:  Hopefully I won’t discourage you from making up time, but I had a couple of questions. Relative to the issue of account wagering and interstate aspects of account wagering along with interstate aspects of simulcasting, is there a unified position right now on the Senator Kyl bill, which passed one body and failed to complete its work that’s going to be considered, as I understand it, this spring? What’s the deal with that?

MR. HICKEY:  No.

COMMISSIONER LANNI:  You’re opposed to it? MR. HICKEY:  Oh, no, no, no.

COMMISSIONER LANNI:  Oh, I see.

MR. HICKEY:  We are talking among ourselves and with the members of Congress about that. And I cannot say with respect to pari-mutuel horse racing there is a unified position on it.

I would like to point out the one thing with respect to the Kyl bill and all the bills up there, the exceptions that were provided for pari-mutuel racing in the legislation last year were intended to allow us just to continue to do what we were already doing and clarify common pool wagering and that sort of thing.

It was not an exception that allowed horse racing to use the internet. I just want to make that clear.
COMMISSIONER BIBLE: If you needed clarification, isn’t it, then, the implication that there may be some question as to the legality of the operation?

MR. HICKEY: Not in my opinion.

COMMISSIONER BIBLE: Then why do you need a clarification?

MR. HICKEY: There are some people that think that common pool wagering is sending information across state lines, fits within that definition of information, assisting in the placing of bets or wagers between two states or --

COMMISSIONER BIBLE: There is a legal question.

MR. HICKEY: Yes.

COMMISSIONER BIBLE: Otherwise you wouldn’t need a clarification.

MR. HICKEY: That’s correct. There is a legal question, but I was just saying not in my mind.

COMMISSIONER BIBLE: I understand where you’re coming from, but you support the clarification.

MR. HICKEY: Oh, absolutely, yes.

COMMISSIONER BIBLE: There is a question of some other people.

MR. HICKEY: Yes. We support the clarification, yes.

COMMISSIONER BIBLE: And at least in terms of the dog people, they don’t have the Horse-Racing Act to rely on.

MR. HICKEY: No. And I think everyone supported the clarification, including Senator Kyl and the members of the House that had introduced the bill.
MS. FEINSTEIN: There is a uniform position that the clarification with respect to simulcasting and common pool wagering is a good thing and should be done.

And with respect to whether there’s a question, 41 states allow horses to do it, 20 states allow dogs to do it. So to the extent that there’s a question, it’s the minority point of view.

COMMISSIONER BIBLE: But the dog people want to be treated like the horse people in terms of common pool.

MS. FEINSTEIN: Absolutely.

MR. CASHEN: That’s correct.

COMMISSIONER LANNI: Beyond the issue of clarification, what, in addition, are you asking for that Senator Kyl’s bill doesn’t address?

MR. HICKEY: Well, Senator Kyl’s bill last year was on an intrastate basis. We would like to be able to do interstate wagering in those states that have legalized it and allow it and want to work together on it. Actually, the House bill did that.

COMMISSIONER LANNI: In your written comments that I think I’ve read based upon, among other things, the fact that there are regulatory bodies in each of these states as compared to offshore internet wagering --

MR. HICKEY: That’s correct.

COMMISSIONER LANNI: -- is one of the arguments.

MR. HICKEY: That’s correct and under safeguards that would be put into any legislation.
COMMISSIONER BIBLE: There are provisions in the Kyl bill that would allow intrastate account wagering?

MR. HICKEY: Last year was intrastate. The House bill allowed intrastate, but the Kyl bill is still being written this year.

COMMISSIONER LANNI: For purposes of disclosure, I should say also I am a breeder and owner of thoroughbred horses, a modest one by chance, not by choice.

COMMISSIONER WILHELM: Do you tell your wife the truth about the feed bill?

(Laughter.)

COMMISSIONER MOORE: Hey, John, he falls under the category of that guy with the $70,000 salary.

COMMISSIONER LANNI: If I might add, John, actually, Debbie is also an owner of thoroughbred horses.

COMMISSIONER WILHELM: Does she tell you the truth about the feed bill?

COMMISSIONER LANNI: I refuse to answer on the grounds it may tend to incriminate my marriage.

COMMISSIONER McCarthy: Madam Chair, I wanted to ask Mr. Foreman just a couple of questions. As I heard your testimony, you’re here representing the National Thoroughbred Association.

MR. FOREMAN: Well, I represent the owners and trainers and the people who work for the owners and trainers throughout the country.

COMMISSIONER McCarthy: Okay.
MR. FOREMAN: Also, I was identified as a member of the Board of Directors of the National Thoroughbred Racing Association.

COMMISSIONER LEONE: Let me make sure I heard you clearly. You said that you believe that each state should allow any alternate form of gambling to be established at any racetracks within those states.

MR. FOREMAN: I believe the decision as to whether or not to permit alternative forms of gaming at racetracks should be reserved to the states.

COMMISSIONER LEONE: Well, we have heard in previous testimony that tracks in five states, I think it was, now have card rooms or slot machines, tracks in -- I’m not sure of the number of other states, but it’s easily in five or six or seven states -- are also asking for different forms of casino-like games on the track property.

So as national organizations, you support this trend toward having not just horse racing but other forms of casino-type gambling on track properties?

MR. FOREMAN: We support the notion that if it is necessary in a particular venue -- I’m not trying to be cute, but there are jurisdictions where horsemen would not be in favor of racetrack --

COMMISSIONER LEONE: Well, we did hear some mixed testimony in Del Mar. But what I’m asking is: What is the attitude of the national organizations?
What I hear so far is that they’re getting more and more in the posture of supporting alternate forms of casino-like gambling on track properties. Do I read that correctly?

MR. FOREMAN: I think, in fairness to your statement, that I believe the industry is warming to that notion.

COMMISSIONER LEONE: We’re getting there. We’re getting there.

MR. FOREMAN: If the geographics, if the economics, --

COMMISSIONER LEONE: Stars are in place.

MR. FOREMAN: -- competitive forces dictate that, I don’t think that you’re seeing a call for alternative forms of gaming at racetracks in areas where it may not be necessary. I think you’re seeing it in response to competitive forces in the Mid-Atlantic region, for example.

COMMISSIONER LEONE: I understand the reasoning.

MR. FOREMAN: And that is forcing, for example, owners and trainers and breeders who are passionate about horse racing and not passionate about alternative forms of gaming and who would prefer that it not come to rethink the issue.

COMMISSIONER LEONE: I’m going to make a comment because this goes to part of what I was going to talk about this afternoon. And I don’t mean to single out the pari-mutuel industry or the horsemen.

I understand that while people in that industry think what they’re doing is so important to their livelihoods or the preservation of the industry, that an exception ought to be made for this or that. And I think people who are in other parts of
the gambling world think what they’re doing has so many positive
impacts that exceptions should be made.

   Earlier today when we talked about problem and
pathological gambling and people in transition are at risk or in
Group C, one phenomenon we mentioned was chasing, trying to make
up your losses by chasing. And anybody who has ever played cards
knows about chasing or any other sport or any other gambling
activity.

   I think we’re in great danger in this country of having
everybody from state governments, the Native Americans to the
casino industry to the pari-mutuel industry engaged in a form of
chasing.

   I need this additional form of gambling to stay
competitive. I need it to preserve the horse farms. I need it
to preserve the jobs in my area. I need it to preserve the
economic development in my area. I need it to compete with
Delaware. I need it to compete with Atlantic City. I need it to
compete with Iowa.

   We need to chase. And we are developing a compulsive
attachment to gambling. Because of this necessity to chase, the
proliferation -- I need an exception because I have to chase to
stay competitive.

   I have to chase to get people in my state to buy the
lottery or they’re going to go next door and buy really big
lottery tickets or I need these machines in my store or I’m going
to lose business to the store across the river that has these
machines.
And personally I view it as a kind of national psychosis that is underway where everybody wants to chase. And it is compounded. And here is the problem I think for most of the people in the industry, by the view that I share that this ought to be handled at the local level, at the state level, the state regulations.

The trouble is the only way to deal with these chasing, bet with thy neighbor, compulsive gambling syndromes is with national legislation. And the reason I raise this now is I think this Commission has to very strongly be in favor of a national intervention to stop this process in which everybody, for perfectly rational reasons -- if I were in one of these businesses or representing one of these businesses, there are perfectly rational reasons for us to chase, for us to seek other ways to stay competitive. And only national restrictions I think can do that.

CHAIRPERSON JAMES: How would you get at that?

COMMISSIONER LEONE: Well, I have some ideas. This is not the appropriate time to do it. I understand. I mean, I find horses more attractive than many of the people with the exception of present company I have met in the gambling business. So the preservation of horses and horse farms is more pleasant than places lined up with slot machines for me to visit. So I can see exceptionalism.

But when that starts to mean we need everybody to be able to place bets from home by telephone, the sort of AT&T-Murdoch conglomerate deal that’s working, we need slot
machines. We need video poker machines. We need these to compete so we can save the horses or save the Native Americans or save the good jobs John is worried about or save the scholarships that are funded by our lottery. Everybody needs this stuff to stay competitive. I think that’s at-risk behavior.

CHAIRPERSON JAMES: Does that mean the country is at risk?

COMMISSIONER LEONE: I very much believe that.

COMMISSIONER LOESCHER: Madam Chairman, I think it’s kind of an interesting discussion. I kind of wonder about what you’re saying. We live in America, and we believe in free enterprise. I kind of want to juxtapose your comments against a market-driven basis of doing business.

I’m intrigued by the horse and the dog people coming here saying: Well, you know, we’re kind of sliding in our industry, but it’s a part of the culture of America. And we really need to preserve the horses and the dog program. And we need to add these gaming things.

I wonder about that. You know, I think they plead the case that we should be allowed to negotiate with our state legislatures and governors to make that happen and not have federal intervention.

I think that’s interesting, too. But my real point is that the issue of gaming in a holistic way probably should be on a market-driven basis. And in time, the American public will provide its own equilibrium as to how gaming will finally end up in America.
Maybe things like horse racing and dog racing and whatnot will diminish over time and be a minor part of the culture and maintain its integrity from where it started, rather than adding on this new dimension.

I kind of want to juxtapose that kind of thinking on the market-driven basis concept.

COMMISSIONER LEONE: There is no doubt that if one does an economic analysis without any concern for the negative externalities, that one would say if the horse-racing business or if casinos on Native American reservations disappear because we’re going to permit them everywhere and let the market decide where they will be and what they have, that’s a good thing. That means more competition, more choice, people have a greater selection in which to make their choices about what satisfactions they want to have.

It turns out, as a matter of fact, that horse racing is probably more expensive per gambling unit than anything else because it costs a lot to support a horse and they can’t run every 15 seconds.

You know, the early Middle Ages basically in Europe is a society characterized by everything being mobilized to support mounted horsemen. It takes that many resources. It still takes a lot in the context of gambling. It would never be sustainable unless we were operating under artificial economics of scarcity.

There is a rational line of argument that would say that should disappear. But then it disappears. Then gambling
looks like maybe bars, maybe restaurants, health codes, maybe something a little bit more restrictive.

I don’t think there’s anybody on this Commission who is in favor of eliminating the restrictions on gambling. A few people testified before us. And one can make a case for it. And the case is often made because any form of government intervention in the long run will cause more problems than simply letting the market work it out. I mean, by that standard, people who have problems gambling will lose all their money and cease to be a problem because they can’t gamble anymore.

We start with the premise, I think all nine of us, that there need to be some restrictions. That forces us to start to think about: Where are we going to make the exceptions? What is important enough to be excepted from this?

And I would not like to see our report -- and I will say this now -- turn into a report that simply identifies the fact that there is one particular externality, a medical problem, produced and that if we address that problem, we have addressed the public policy issues in gambling.

The public policy issues in gambling exist because of the externalities that are produced by this activity that are not built into the price, for one thing. And they also exist because we believe we want to have some restrictions on it.

Some of us believe in more restrictions than others. So when we come to framing the final report, we’re going to have to justify why we have restrictions and why we view the world in
a way that says there are some exceptions to the restrictions or
some are more important than others.

And this group has a perfectly rational basis for the
exception they want that part of it’s historical, they’ve had
these rights, part of it is competitive, they need to do certain
things technology has created. So they want to be accepted on
the ban, the wire act ban. And some parts of the industry want
to have slot machines because they need it for competitive.

Those are perfectly rational things, but this is not
simply economics or social policy. What makes this difficult is
that it is always both, always both.

And what we’ve got to deal with here is whether we’re
letting economics drive the social policy and the public policy.
If we are, then we are on the slippery slope to what Bob
proposes, something where we’ll let the market figure out where
there will be gambling and who makes money at it.

Maybe that is where this country is going. I don’t
know. But that is the framework in which this issue has come up.

COMMISSIONER LANNI: Richard, what social policy
doesn’t have economic effects? I can’t think of one.

COMMISSIONER LEONE: I can’t either, no. I wouldn’t be
arguing that. I’m just arguing that you can’t say this will all
be worked out by the market.

COMMISSIONER LANNI: No. I understand. I thought you
were just --

COMMISSIONER LEONE: We’re not prepared for that, I
don’t think.
CHAIRPERSON JAMES: John?

COMMISSIONER WILHELM: As usual, Richard’s comments are extremely thought-provoking and useful. There’s a whole lot here that I really hope we get a chance to kick around at some point.

As an example, Richard’s recent memo responding to the Rhodes report asserted, if I read it right, that because we don’t know what the economics of the so-called externalities of gaming are, therefore, we can’t argue that there are any economic benefits, which is thought-provoking, at a minimum.

On this particular point of whether there ought to be a federal policy, I think this is an extremely difficult issue. We do have a bias in our system toward state and local regulation of many things, including, but not limited to, gambling.

And I do understand the notion that: Well, you know, it’s a complicated problem. And, indeed, Richard is quite right that jurisdictions sort of chase one another and want to keep the money in their own state and so forth. That’s one of the things that propels expansion.

If I were to speak strictly from the point of view of the self-interests of the labor organization of which I’m the president, I’d be for a freeze of everything because the bulk of what is there is unionized.

But I’m troubled by the implications of trying to get at the problem Richard describes by national legislation, as he appears to be recommending.

I mean, just as an example, if there was a national legislation like that ten years ago, then Nevada and New Jersey
would be in a position of saying to Mississippi: Well, you can’t use this form of economic development.

Now, Mississippi in its wisdom chose to become what is now the third largest casino state in the country in terms of revenue. And even though they probably would have been happy to say, "Mississippi, you can’t do that, I don’t quite know how Nevada and New Jersey --

COMMISSIONER LEONE: I wasn’t suggesting that this would have geographical restrictions. Let me ask that while you can react to any part of what I said, don’t extrapolate from it what I would recommend.

COMMISSIONER WILHELM: I didn’t.

COMMISSIONER LEONE: I said I have some ideas, but I didn’t say what they were. And they wouldn’t be ideas that said one state can have it and another state can’t, X or Y or Z. That would not be national legislation that made any sense, frankly.

COMMISSIONER WILHELM: Well, Richard, I try to listen very carefully to what you say. And if I miss the point, I apologize in advance.

We have the phenomenon of the California tribes saying, quite rightly: Hey, we ought to have the right to pursue gaming under existing law. And then we have some people in Nevada saying, in effect: Well, we don’t want you to do that. It’s sort of the last drawbridge kind of a thing.

So I recognize the validity of the worry about leapfrogging. I think leapfrogging is one of the principal things driving the expansion of gambling, but I will be
interested to hear the further arguments, in addition to the ones just proffered in favor of a national legislative solution to that because it’s very hard for me to see how that’s either equitable or workable.

Again, in terms of the self-interests of my own organization, I would be delighted. We would just freeze everything. It would be great. I don’t know how that works, either from a practical point of view or from an equity point of view, but I will look forward to further explication of that.

CHAIRPERSON JAMES: Well, perhaps we can all ponder that at lunch. What do you think?

COMMISSIONER LEONE: Good idea.

CHAIRPERSON JAMES: Having said that, I want to thank our panelists and having recognized that our discussion has encompassed more than just your particular industry. And thank you for your patience as we struggle with some of these issues.

Listen carefully because if you don’t, you may miss. I’m going to exercise a little prerogative this afternoon with the schedule. I want to make sure that our next panel that comes up -- it’s now approximately 12:35. I am going to suggest that we get back together at 1:45 to give us a little bit of time to get to lunch, have something to eat, and get back in this room. And I will be looking at our calendar, the schedule for this afternoon to see how we can make up some of that time.

So let’s get back together at 1:45. And thank you.

CHAIRPERSON JAMES: I’d like to make note of the fact that as we have engaged in our conversation/discussion this
morning that many, if not all, of the issues are being covered as we work through our agenda.

I would note, however, that we had hoped to have a presentation from the International Association of Chiefs of Police and the National Association of Attorneys General. They were invited but, for a variety of reasons, declined to come. So we really don’t have any recommendations to discuss from them. Those issues are being handled in our Research Subcommittee. And I just talked to our Chair. He assures me that they are moving forward on that and will be discussing those issues at length.