CHAIRPERSON JAMES: I am very appreciative, Mike, of your patience. He has actually had his flight changed so that he could stay here with us a little longer this afternoon.

MR. BELLETIRE: I wouldn’t have missed it.

CHAIRPERSON JAMES: You wouldn’t have missed this for anything in the world. I would have.

Having said that, Mike, I know that at Commissioner Bible’s request, you and several others got together and put together a model, a regulatory model. And you shared that last night. And we appreciate the effort and the time that you have put in to present to this Commission.

With that, I would like to ask you to go ahead and make --

MR. BELLETIRE: Thank you, Madam Chairman.

I’m Mike Belletire. As the Administrator of the Illinois Gaming Board, I appreciate the opportunity to be with you this afternoon and to share with you some of the reflections, all of which have been catalogued in a paper that we have provided for you called "Legislating and Regulating Casino Gaming: A View From State Regulators."

It was at Chairman Bible’s request for his subcommittee that I gathered together several state officials that come from a number of states -- and I’ll identify that in a moment -- to summarize our experiences in shaping a regulatory framework for -- and I’ll put the emphasis here -- non-tribal casino gaming.

The primary purpose of our paper, as we understood it, was to offer background information and a foundation for states
that might in the future consider legislating casino-style gambling.

The paper offers a cross-state comparative analysis of our enabling legislation. And discussion is also provided as to the key elements of policy that regulators from several states deem essential to the success of an effective regulatory framework.

A secondary objective of the paper is to demonstrate to this Commission and probably to the Congress the extent to which the several states that authorize casino-style gambling, again, non-tribal approach, the serious obligations of regulation.

The experiences of the states collectively demonstrate that there is no singular, quote, "best" regulatory structure but that all state structures have common elements of emphasis, practice, and personnel that are integral to successful regulation.

I can’t help but take advantage of the unfortunate circumstance that Amy and Ms. Schwartz have had to say this afternoon gives you some indication of the fact that the states I think left to their own with proper legislation can, in fact, regulate. And I would not encourage the federal government to enter the territory where successful regulation is already underway by the states.

I would also like to indicate how this document was prepared and what it does and does not represent. Initially regulators, my counterparts for the most part from six [sic.] states, New Jersey, Colorado, Mississippi, Nevada, and Illinois,
got together in a roundtable discussion in Nevada, spent about
five hours going back and forth on the topics that Mr. McCarthy
has outlined, the primary subject areas where we felt opinion, if
you will, and legislative content as well as regulatory content
ought to be shaped if you’re going to consider legislation.

The paper was then revised. I was the principal
author, but there were many contributors from those six states.
And then the paper was revised and sent back out to not only
those states but to the States of Louisiana, Indiana, and Iowa.
Those nine states, then, collectively represent effectively 97 or
98 percent of all of the non-tribal casino gambling in the United
States. So I think you have the reflections of the states that
do the most here.

What this does not represent are the views of those
state authorities or commissions or the views of the governors or
the legislators of those states. These are the personal
reflections of individuals who have been in the position of
regulating casino activity.

I dare say that I think to the extent that any of us
are surveyed, it represents no more or no less than that in terms
of what we would have to say over the phone.

So it is our honest impressions. And we sought to get
focused on what it was that might make a difference to other
states or to Congress and to your work in terms of where
regulation ought to be oriented and what it ought to say.

I will say this. And I want to emphasize that what
Commissioner Lanni said I think is important in any work that you
contract for. To talk about the extent to which policies and practices deviate from law and regulations is not our sense of regulation. Our sense of regulation is that law and regulation and policy must be synonymous.

The fact that practice that is intensity may vary from state to state is true and while there is clearly differentiation across states as to both what’s in law and what’s in regulation, I don’t believe that any of the states that I’ve reflected deviate in policy in law and regulation from one another.

I want to make a point, though, and this paper does as well. There is no hiding the embarrassment to the several states that the State of Louisiana has brought to gaming.

I spoke with Hilary Crane about this paper. He and I have had a number of discussions about their problems down there. The fact of the matter is -- and this is what I think Commissioner McCarthy was alluding to earlier -- that, no matter how they’re organized, no matter what platitudes are in their law, no jurisdiction can regulate effectively without the commitment of individuals to effective implementation and without a charge from the chief executive of that entity, that state if it’s a state, to say make this work and make it work right for the people of this state, nor does that initial charge make all of the right decisions automatic.

How people go about this job on a day-to-day basis, how they set priorities, what they examine on a day-to-day basis. And where they share with the public the points of sensitivity, embarrassment, or consequence is essential to effective
regulation. So, no matter who writes the law, whether it’s the federal government or whether it’s the state government or whether it’s a tribe, it’s who implements it and their intensity of effort in implementing it that will make more of the difference than the platitudes of law.

What you have in the paper is a compilation of observations. We tried to maintain ourselves just at the end of being judgmental. We’ve tried to say what belongs in law as we think about it.

We’ve tried to segment what might be better in law and what might be best in regulation, which is the implementation of the law. And we’ve also attempted to highlight the range of areas that are very important and why some states have to pay more attention to some areas than other states because of the construction of their statute or their approach.

And the major factor in that regard that I think we ought to draw some attention to is this. I think in an honest attempt to, quote, "limit the proliferation of gambling," states like Illinois have actually limited the number of licenses and restricted their availability to certain areas.

That limitation, while limiting gambling actually intensifies the problems of regulations, I don’t want to suggest that it can’t be controlled. But when you have monopoly or exclusivity in lucrative licensure, you have the potential for corruption or, more informally, the kinds of practices that don’t give gambling operations a very good name, even if they’re not corrupt or illegal.
So we’ve tried to highlight some of those consequences in here. And they do play off against the well-intended effort to say let’s limit this activity.

We’ve extended a bit beyond our own expertise, although some of us do regulate gaming devices. Some of those that participate in this paper do regulate gaming devices in what we labeled in the paper "alternate" or "non-casino settings." And I’m talking about route activity of slot machines.

We have not offered a whole lot of commentary there other than to be encouraging for any state that considers this to be very, very cautious about not only the regulatory aspects about this but about its public policy consequences because it does represent a much different dimension of regulation than I think the casino experience, particularly in the Midwestern states, has.

In closing, I would only want to add that I think that since more states have gotten into the regulatory business over casino gambling, the bar has actually been raised.

I’m not going to say that to be smart to the States of New Jersey and Nevada, who were there from the beginning, but I do think that the realization that it isn’t going on vacation to Nevada and, gee, what happened there, but it’s how our people are treated on a day-to-day basis and whether or not our state accepts something into its culture that to this point in time has only been accepted as an illegality is consequential. And I think it has helped collectively to raise the bar for the sense of judgment and what’s acceptable.
We’ve been slow to adopt many of the things that Nevada is entirely comfortable with. But that’s the beauty of the differences amongst the states, that we are entirely -- for example, we do not allow -- and I mentioned this when I testified before you in May -- the mega jackpot games. Our board just doesn’t feel comfortable that that kind of get rich quick approach to gambling is entertainment in the same way that it’s allowed and accepted in some of our neighboring states or in Nevada.

The very fact that we can differentiate and we can make those choices I think is important to Illinois. And I think that underscores the fact that regulation is not simply making sure everybody does something in the least common denominator sense but, rather, making sure that policy choices are exercised, not simply regulatory choices.

I complete my remarks. And I thank you again on behalf of my fellow regulators, who are identified in the paper that I’ve presented.

CHAIRPERSON JAMES: Do all commissioners have copies of that at this point? Yes. Thank you.

Any questions for Mike?

COMMISSIONER WILHELM: Just, Mr. Belletire, first I want to thank you and your colleagues very much for this. I read it last night. It’s I think one of the more substantive pieces of material the Commission has received.

And unless I’m wrong, Commissioner Bible, you got him to do it for nothing. So I very much appreciate it.
MR. BELLETIRE: I’m ethically prohibited from accepting compensation from other than the Illinois Gaming Board.

CHAIRPERSON JAMES: Could you give us a list of all the contacts?

(Laughter.)

CHAIRPERSON JAMES: A list we have.

COMMISSIONER WILHELM: That’s our good fortune. If I might, Mr. Belletire, you have a reference in here to the settings that some states have gotten into of machines in non-casino-disbursed-type settings. And you have some comments about those, which, to me at least, seem appropriate.

I’d be interested in your thoughts on the question of the machines that exist apparently in much larger numbers than I, for one, ever realize in a lot of states, including but not limited to yours, that are gray area machines. They’re either illegal or they would be legal if they were run the way they were supposed to, but they aren’t really run that way. You know what I’m talking about.

MR. BELLETIRE: Yes.

COMMISSIONER WILHELM: Machines that are not --

MR. BELLETIRE: We have them in Illinois.

COMMISSIONER WILHELM: Right, a lot of them supposedly.

MR. BELLETIRE: Well, if you listen to some people, we have more than I think there physically are, but yes.

COMMISSIONER WILHELM: Suffice it to say that -- and I realize nobody knows the sure numbers, but there are a lot of states in this country that have a lot of these machines --
MR. BELLETIRE: Correct.

COMMISSIONER WILHELM: -- that are not legal --

MR. BELLETIRE: That’s correct.

COMMISSIONER WILHELM: -- or are legal --

MR. BELLETIRE: The machines are legal. What the purveyors of the establishment do and what their distributors may do is illegal.

COMMISSIONER WILHELM: I would be interested in any, either now or later, thoughts you have about this and, in particular, what the relationship is between this kind of illegal gambling behavior and legal gambling behavior, if there is any relationship.

MR. BELLETIRE: Let me give you a little bit of the Illinois experience and offer my own observation. These would be personal observations. My board has never taken a position on this.

Illinois has a lot of fraternal and private organizations. I won’t mention the names. Sometimes they have military connotations to them. Organizations have their bars. And up the stairs and to the left, you’ll find 25 machines that are legal and licensed in Illinois. In fact, I think they even have federal licenses if I’m not mistaken. And, therefore, they’re marked clearly for amusement only.

They produce tickets or information that’s the equivalent of Kewpie doll prizes that you could get out of a ski ball, but then there are informal relationships under which the
amount wagered and the amount won is compensated for by the
house.

These are in Illinois, as I think in most
jurisdictions, the responsibility of a county sheriff or the city
police department and the county prosecutor to take
responsibility for. The state jurisdiction -- I have a number of
state police officers who work for me who are gaming enforcement
agents.

We have no more authority than they do as state police
officers under any set of circumstances to enter those premises
and to do something about those machines.

When we get a report, we report it to -- now, this may
sound like dereliction of duty, but we report it to the county
sheriff or to the municipal police department.

The fact that it’s tolerated, I will share with you the
comment that our former governor, the governor that I worked for
when this comment was made, said to me when the proposal was to
legalize these machines from the coin-operated guys that came in,
sat down with him, and made their pitch that: You ought to
legalize it and tax it because it’s good for the state to
legalize it and get rid of the illegal aspects of it.

The governor said that he felt as though this tended
towards encouraging the average Joe to sit down and blow his
paycheck at a lunch.

And they said: Yes, but he can do that now.

And the governor said: Yes, but I can sleep at night
because I didn’t put my name behind that.
And I think that’s this political sense of this, that a political figure has the responsibility to say not everything that’s illegal should be tolerated, but even if it’s going to be tolerated, I can’t do something about it simply by saying let’s sanitize it because my conscience is even now more directly tied to it. So Jim Edgar when he was governor made that observation.

We make a heck of a lot of money off of casinos. We tax very steeply. We drew in $337 million in 10 casinos last year. We don’t need another 20 million or 30 million from more gambling in the state. And that’s my personal opinion. But there are lots of people who want to make more money from gambling, and that’s why there needs to be some caution about authorizing more of it. It’s still a little bit sinful in the Midwest.

COMMISSIONER WILHELM: Thank you.

COMMISSIONER LEONE: You said something -- and it’s reflected in the very thoughtful set of criteria you and your colleagues sat down -- about the fact that the spirit, the political culture in which regulation takes place is as important or more important than the regulations that are written down, what appears on a piece of paper.

I believe strongly that you were right. It’s always been something that has troubled me about this area because I also believe as a student of history that political culture changes over time.

And, even though I’d be the last one to say anything bad about Louisiana, only because it’s next to Mississippi and it
might somehow reflect badly on Mississippi, -- otherwise I’d tell
you what I really think -- I don’t know why in the perspective of
history we should think that that situation is unique and that
other states with other governors and other legislatures and
other pressures and other situations would not abuse or misuse
this large cash business, this large cash cow.

You know, one of our responsibilities that we haven’t
spent any time on, although I’m going to talk about a little
later when we talk about the economics, is it’s in the
legislation that we’re supposed to look at, the extent to which
gambling provided revenues to state, local, and Native American
tribal governments, the extent to which possible alternative
revenue sources may exist for such governments.

Now, that’s actually an interesting question and
difficult question with regard to local governments. And tribal
governments, it’s even an interesting question, I would submit,
with regard to Nevada probably.

It’s actually not a very interesting question with
regard to any place else because in spite of how good a cash cow
this has turned out to be in a variety of places, states have
lots of alternative sources of revenues. And it’s a fairly
trivial question to ask whether they could tax something else and
find the money for something else.

What I am concerned about, though, is that this appears
to be easy money politically. It also would be surprising if it
didn’t become political in the sense that it’s a place where you
can raise a lot of money.
New Jersey went into this with very strict regulations on contributions from people in the industry. On the other hand, every law firm, every developer, every real estate agent of any size, lots of banks and other big businesses became involved in lobbyists, advertising firms, got interested and had an economic stake in gambling. And they all contributed to campaigns. And they have become a powerful source of campaign contributions at the state level, even though the industry people can’t contribute, extremely powerful source of contributions for federal office holders, as they have elsewhere.

Again, it isn’t so much that I see a problem with that today or have seen a problem with it in that state, but other states, including Nevada, have historically gone through periods where there were political problems and questions about their will.

I ask two questions, therefore. This is a long preamble. If men were angels, we wouldn’t need a regulation, as I always say. Maybe we should have women doing the regulating.

We can’t ensure that other states won’t become like Louisiana at some point in their history. But we might consider whether there are additional things that ought to be done to oversee governmental operations in this area; for example, independent audits of the governmental function in this regulatory or whether it’s local governments, tribal governments, state governments.

And I don’t mean state auditors. Maybe there are issues of transparency that ought to be in place. And some
places are better than others. Maybe bipartisanship in terms of regulatory bodies is another way to do it.

I just ask you: What kinds of other insurance policies might we take out for the long haul?

MR. BELLETIRE: I appreciate your sensitivity and your sense of this. Let me comment, first of all, about the long haul and make a contrasting observation. And that is the racing industry in Illinois.

It has 75 years of history, which is about 66 years more history than does the Illinois Gaming Board. To be frank, they do their regulatory thing okay. They do their background stuff, but they are really an advocate for horse racing. That’s who over time has become the regulator of horse racing.

I’m not going to speak for any other state, but I think the promotion of that industry is, in part, fed by its so-called regulatory bodies or oversight bodies. I don’t think that there’s any secret to that.

Having said that, we have gone through periodic episodes in Illinois and I know in other jurisdictions as well of corrupt behavior or activity. And usually the political structure responds. It’s almost inevitable -- you know, it cost the governor a number of years in prison in Illinois to hold ownership interest in a racetrack.

So it happens. And there was a new broom that swept clean those figures, and there were new and tougher changes that were initiated in that 75-year history.
I think there have been at least three or four major scandals in horse racing in Illinois over the last 75 years. And the body politic responds. We have been fortunate. Nine years, and we still have to be hit with our first. But we will be hit with one, I’m sure.

I think your suggestion, Commissioner, that you ought to look more at us is, unfortunately, the real problem of the media. They’re only interested in whether my board members take a $50 meal from somebody in the industry, rather than interested in the underlying scandals that the industry itself has gotten into.

One of the ways that we’re handling this in Illinois is we’re going after what companies do in other states and saying: Just because the entity you got in Illinois is operating well, if we’re not satisfied with how you’ve handled yourself in another jurisdiction, you’ll have to answer to us.

We have two investigations underway now that involve companies that have had problems in Louisiana. And I’m not going to suggest where those investigations go because they’re still ongoing, but I have a board who will take the responsibility to do what must be done. That I think is how you police it when you find it.

And I think you ought to direct the casino industry to pay heed to what happened down in Louisiana and to start standing up and saying: We have got companies within our midst who have made big mistakes, and they owe an apology to the rest of us.
And I think company executives who engage in that behavior ought to be accountable for it. You don’t sweep it under the carpet, I mean. And my job for the last four-plus years has just been to be the board’s hard-nosed son of a gun.

I mean, I step on toes. That’s my job. I don’t make friends in the industry, but I think I’ve gotten respect from a number of people in this industry because I have helped work with the board. And we’ve laid out a framework. And we’ve made it clear that we don’t accept nonsense.

Now, would we be any better off if there were a national authority looking over us? I don’t think so. I really don’t. I honestly feel as though what they’d do is they’d tell me: If you don’t do this, you’ll end up like Louisiana.

So they’ll start telling me how to do something that I’ve already perhaps got a different way or better way or different approach to deal with. The consequences here are political consequences, bottom line.

My board is on the line. Our governor is on the line. The previous governor and this governor have both said to me: We don’t want to be near this. These are your decisions and your board’s decisions.

CHAIRPERSON JAMES: Mr. Belletire, thank you so much for that and also, again, for rearranging your travel schedule so that you could be here this afternoon.

I would ask Commissioners to note that we have two more presentations on regulations. So there will be an opportunity to talk about this a little bit more.
And, again, I want to thank you and the panel members
for being here and for participating in our conversation this
afternoon.

MR. BELLETIRE: Thank you.

CHAIRPERSON JAMES: Thank you very much.

COMMISSIONER BIBLE: Could we ask, Dr. Pool, could you
provide us with a copy of your survey instrument? I’ve never
seen that work, your current measure of the efficiency or
effectiveness of regulatory apparatus? Do you have a copy of the
survey instrument, uncompleted?

DR. POOL: We do have complete copies of survey
instruments for industry, tribal gaming, and regulators. I would
request that if we could finish, in the interest of the integrity
of the research process, if we could finish, our sample
population before such time.

I have no problem providing you with the actual survey
instrument. And Tim Kelly and Doug Seay have both been provided
with that instrument.

COMMISSIONER BIBLE: I assume they must have been part
of the process of developing it.

DR. POOL: Yes, sir, that’s correct, as were, I
believe, the Research Subcommittee did receive copies of the
survey.

CHAIRPERSON JAMES: Well, if the Research Subcommittee
has it and the staff has it, I see no reason why the rest of the
Commission --

DR. POOL: That’s correct.
CHAIRPERSON JAMES: -- members cannot have it.

MS. SCHWARTZ: May I just make one request? It is only going to take about another week or so to complete every single poll we have. If you could not make it public to people who may be respondents until such time, it will just guarantee --

COMMISSIONER BIBLE: We have provisions for confidentiality of information.

MS. SCHWARTZ: All we need is the time to finish administering it without that. So I would make that request.

CHAIRPERSON JAMES: Right. I think that’s a reasonable request, I’m certain.

I am going to have to exercise a little bit of restraint here -- thank you very much -- and rearrange our calendar a little bit for this afternoon. We have several more presenters, who have been extraordinarily patient as we have gone through our time.

There’s also been a desire or request by staff for a group photograph of the Commission for the final report. I am going to ask if that can be done tomorrow, as opposed to today. Yes. Well, see, some of you guys don’t have to worry about if it’s a bad hair day.

COMMISSIONER LOESCHER: Staff will be putting this photograph up in their homes? Is that why they want it?

CHAIRPERSON JAMES: I don’t want to know all of the uses they’re going to make of it, but I do want to take a five-minute break. And then we will get right back with Mr. Finnegan and Mr. Scheppach.