DR. SHOSKY: Okay. Thank you. "Regulating Gambling" -- this chapter has four subdivisions. The first subdivision is entitled "Government Sponsored Gambling," where we talk about the regulation of lotteries and Indian gambling.

The second section is "Commercial Gambling," where we talk about the regulation of casinos, convenience gambling, pari-mutual gambling, and sports wagering.

The third section in this chapter concerns advertising and gambling.

And then the fourth section would be the recommendations that we have on these matters, these regulatory matters, as a Commission.

And just to refresh your memory for a moment, at our last meeting on April 7th and the 8th there were some comments made that I think are particularly applicable to the discussion of this chapter. One comment which was made was that we need to look at the regulation of gambling in four general areas -- commercial casino, horse racing, lotteries, and tribal gambling -- and I think that that has been reflected in the outline that has been produced.

There is also much discussion from the last meeting about the fact that model regulations would be identified, best practices, and that the Federal Government would actually function as a scrutinizer of state regulations, not in terms of anything that the government would do, other than at one point there was much discussion in the Commission about the Federal Government holding state regulations up to the light to scrutinize them.
And you’ll remember that we have the Belletire document, which would be in the appendix of this report, which is a document about regulatory practices across the United States.

With that in mind, the regulation chapter was constructed according to that outline, and you will find it under Tab 5 in the briefing book.

CHAIR JAMES: With that, we’re ready for discussion. Do you want time to look at that, or are you ready for discussion in terms of -- let’s take any particular line items first, and then we’ll go back and talk about the broader overview policy statements that are made here.

Okay. Who ate too much?

(Laughter.)

COMMISSIONER WILHELM: I want to know what Bill thinks.

COMMISSIONER DOBSON: This chapter does not conform to the standards we were just talking about. This is in the central place, and it has not been discussed throughout the organization of the manuscripts, right?

DR. SHOSKY: I’m not sure exactly what question you just asked.

COMMISSIONER DOBSON: All right. Let me take another run at it.

DR. SHOSKY: Okay.

COMMISSIONER DOBSON: All that discussion before lunch would be because the material was in many places with regard to gambling in the United States, in places throughout the draft?

DR. SHOSKY: Right. This chapter --

COMMISSIONER DOBSON: This one is primarily self-contained.

DR. SHOSKY: You are correct, sir. Right.
COMMISSIONER DOBSON: Thank you.

COMMISSIONER BIBLE: But this would be -- as I understand it, this would be the chapter where a number of the recommendations you made -- and there was considerable consensus about -- would be incorporated in terms of strengthening regulatory practices. For instance, you had a recommendation on ATMs and credit card machines and things of that nature.

CHAIR JAMES: I guess I would have answered that question a little bit differently, John. And that is it -- this chapter does not deviate from what we discussed before lunch because what we talked about before lunch are the different forms of gambling. Instead of having one chapter on different forms, that we would take the overarching issue.

So this may be regulation. But within this, we look at a variety of different types of regulation. We're looking at casinos in states and tribal governments, and that sort of thing. Does that make sense?

COMMISSIONER DOBSON: Yes. But it then drives to recommendations and conclusions.

CHAIR JAMES: Yes. That's exactly right. So --

DR. SHOSKY: But recommendations and conclusions only on regulatory matters.

COMMISSIONER DOBSON: Yes.

DR. SHOSKY: Yes.

CHAIR JAMES: Yeah. Okay. Having said that --

COMMISSIONER McCARTHY: On that issue, I think the Belletire report, which Bill Bible was the chairman of that subcommittee --

DR. KELLY: Mr. McCarthy, could I just get you to grab the microphone?
COMMISSIONER McCARTHY: I’m sorry. The Belletire report, which Bill Bible sought and received for the Regulatory Enforcement and Internet Subcommittee, should be the base you use. If you’re going to -- the language we’ve got here under recommendations and staff notes is precatory.

I think we could be more useful by outlining the core elements, at a minimum, of what Mr. Belletire and his colleagues from the five or six top states mentioned in that memo that was submitted to Mr. Bible.

And we used that in the letter to the NIGC requesting a series of -- requesting information based on their regulatory practices. So we’re really talking about state and tribal regulation here. And I think we should look at that and pull it out. I would like you to show it to Mr. Bible when you draft it. After that, I’d like to take a look at it, too.

CHAIR JAMES: I think we all would.

COMMISSIONER BIBLE: And at least my sense of this particular section is that it is going to need fairly substantial massaging. I think you put it together fairly quickly, and it’s going to need some additional work in order to express at least -- actually, the various elements.

For instance, we’re talking about the Federal Government on page 2 of 34, regulating taxation. And I don’t know exactly what they do in terms of regulating taxation for gaming and gaming enterprises.

Prohibiting money laundering through casinos -- and actually, they deem casinos to be financial institutions. So they applied the general money laundering laws that -- or anti money laundering laws that apply to all financial institutions --
banks and credit unions -- and jewelry stores, and places like that.

Prohibiting gambling advertising in some cases, which I believe is correct, prohibits interstate gambling. Actually, there is a prohibition and some authorizations contained in the various wire acts. Prohibits use of telecommunications for placement of illegal bets. Again, that’s part of the regulatory responsibility the Wiring Act.

Enforces law against sports wagering in states where it is illegal. That’s the responsibility under the Professional and Amateur Athletics Act to fight organized crime, and that’s the general sense. But that’s just an example that I believe at least that most of this material needs to be reworked.

CHAIR JAMES: I have asked several Commissioners if they would take the lead in various areas, and I know that Bill is planning in the next couple of days to give a substantial amount of time to this particular chapter to make sure that it gets to where we need it to be.

I think for the benefit of our time right now what would be helpful, as you continue to do that, is to look at what’s currently here as recommendations to see what’s missing and what we, as a commission, want to see added right there. Can I ask you to turn over to page 32?

And, incidentally, I think the Belletire stuff goes right in there on 17, line 17, right there.

COMMISSIONER McCARTHY: Only one small part of the issue.

CHAIR JAMES: What’s that?

COMMISSIONER McCARTHY: Are you talking about what was mentioned in there?
CHAIR JAMES: No, no, no. Where it needs to be added. Where the additional information needs to be added. Where we talk about we should show best practices and successful elements of good regulation, page 32, line 17.

COMMISSIONER McCARTHY: Yeah. But there were specific -- there was -- at the end, John included a recommendation section. And what I was suggesting before is that we urge, under the recommendation section, that at a minimum those core elements that Mr. Belletire was --

CHAIR JAMES: Right.

COMMISSIONER McCARTHY: -- indicating be in every state regulatory scheme. But I --

CHAIR JAMES: Wait a minute. That’s --

COMMISSIONER McCARTHY: I would rather wait, before discussing any more of this, for Mr. Bible’s --

CHAIR JAMES: But I think all of us have --

COMMISSIONER McCARTHY: -- language.

CHAIR JAMES: -- seen the Belletire language and have read that. And if, in fact, we could get that kind of consensus right now, and give him that --

COMMISSIONER McCARTHY: Okay.

CHAIR JAMES: -- direction, that would be a good thing to do.

COMMISSIONER BIBLE: Well, to follow up, in that example, what you’re talking about is the state typically is going to regulate a number of aspects of gambling. If they have casino activities, they’re going to have a casino commission. If they have horse racing, they’ll have a horse racing commission.
We are going to make recommendations that there be some separation within the lotteries, that there’s an element -- kind of a board of directors. Now --

COMMISSIONER McCARTHY: That was only by casinos.

COMMISSIONER BIBLE: That’s correct. Now, some states manage those from one agency. Some states manage them from three agencies. Some states manage them from two agencies.

CHAIR JAMES: Bill, I think what’s right here is best described as puny at best. I mean, to say states must adequately police themselves.

COMMISSIONER BIBLE: No.

CHAIR JAMES: And I’m hoping that what you --

COMMISSIONER BIBLE: But I’m just kind of --

CHAIR JAMES: -- will do --

COMMISSIONER BIBLE: -- so Leo understands where I’m going. And then you have tribal gaming, but all -- no matter how they structure it, the elements that Mr. Belletire was talking about should be incorporated into those regulatory apparatuses, in terms of independence of judgment, staff capabilities. The various elements that he outlined should be displayed in the regulatory apparatus.

So it’s going to have to be considerably more detailed than that particular recommendations.

CHAIR JAMES: Well, absolutely. And just looking at the things that are here, I mean, I have seen language coming out of our discussions that is much stronger than what’s even here in this particular section.

And, Bill, I would just ask you, as you go through that -- as an example, "Federal Government must hold state regulations up to light and scrutinize them. Federal organizations should be
proactive and thorough in their scrutiny." I mean, I think we were far more specific than that and --

COMMISSIONER BIBLE: Well, on that point, I don’t recollect that we made a recommendation that the Federal Government have oversight authority of state regulatory apparatuses.

CHAIR JAMES: Yeah. And I think what we did say is that’s where we talked about the appropriate role of the Federal Government, even though it isn’t necessarily regulation, but in terms of information gathering. And maybe that appears somewhere else. John, do you know?

DR. SHOSKY: I think you just asked two questions. Let me back up and try and answer each in turn.

In terms of the first, I am virtually certain I’m correct that that recommendation that you’re discussing is exactly the way that it was put in the discussion. And if you’d like, I’d be more than happy to get the transcripts and indicate that as well.

As far as the discussion of information is concerned, I’m not sure that that particular point made it into this chapter because the way the language is phrased was there could be federal collection of data -- for example, Commerce, HHS, and so on -- but -- and the more information the better. The data collection was a must.

But that we needed to continue to look to see whether or not this was something that we wanted to recommend and who would be the best -- which organizations would be the best organizations to undertake this. And I think some of that is in the future research chapter now.

So that’s --
CHAIR JAMES: Well, I think it came up on the discussion of what is the appropriate role of the Federal Government.

DR. SHOSKY: That’s right. It came up in the regulation.

CHAIR JAMES: Particularly in oversight.

DR. SHOSKY: Exactly. You’re right.

CHAIR JAMES: But I agree with Bill. I don’t think -- it’s my understanding that we said an appropriate role of the Federal Government was to scrutinize or have oversight of the state regulation.

DR. SHOSKY: Which the states do not currently have.

CHAIR JAMES: Right.

COMMISSIONER BIBLE: Well, I think we indicated it was appropriate, and there is a lot of need to collect additional information and additional data and incorporate it into some of the routine data collection. But I don’t believe we ever came to the conclusion that the Federal Government should supervise or have some sort of oversight responsibility as key regulatory --

DR. SHOSKY: Yeah. I think that this language is being read two ways, and maybe it’s the difference of a word. But the exact point that was made in the previous reading was the Federal Government could -- not that it must or in a regulatory way should or legally would be mandated to do this -- but that the Federal Government could hold state regulations up to the light and scrutinize them.

And that was not to ask the Federal Government to do this in a regulatory way. It was to ask the Federal Government to point out any time that it -- any federal agency saw a state regulation that was deficient.
CHAIR JAMES: I --

COMMISSIONER LANNI: I don’t know who made that recommendation. I, for one, do not favor asking the Federal Government to do anything relative to the states’ lotteries. I think that’s a state issue. States -- I think we should make recommendations to them, but -- I don’t know who made the recommendation. I would not support that.

COMMISSIONER MOORE: Clear my mind up a little bit. I just happen to be looking at page 18 of this, convenient gambling. We talked about convenient gambling a lot. Where would I look to see what we recommended about convenient gambling? I mean, we just haven’t gotten to it yet?

DR. SHOSKY: I’m not sure, to be honest, and I’ll explain why. In the structure that we have at the moment, when we talk about various aspects of the gambling industry, what we’ve talked about so far is the scope, and now what we’re talking about is the regulation.

And then you’ll notice after that, when we get to the next chapter we’re talking about addiction. The next chapter we’re talking about technology. The next chapter we’re talking about the impact on people and places. And the only place where we could even begin to work in the conclusions that we had on convenience gambling, if they were not in the chapter that we’re on at this moment, would be to indicate whether an aspect of convenience gambling had an economic or a social impact that we wanted to put in under the substructure that we have on the outline.

Now, what my answer is, then, is that the recommendations that we had on convenience gambling from the last meeting are not in the staff-prepared document that you have at
the moment because, in point of fact, there wasn’t an eloquent place to put them in on this --

COMMISSIONER DOBSON: Madam Chair, I rest my case.

CHAIR JAMES: I’m with you.

COMMISSIONER DOBSON: That’s what I’m concerned about. Not only can we not find it, we don’t even know that there’s a place for it.

CHAIR JAMES: And we’re not particularly interested in an eloquent place to put them, but they have to be in here. And --

DR. SHOSKY: I understand, Madam Chair.

CHAIR JAMES: And I’m with you, Jim. However, I would say this, that I’d find it -- I can’t exactly accept that explanation, because if this Commission has a recommendation and you can’t find a place to put it, then raise that, because it’s going to go in here.

DR. SHOSKY: I understand.

CHAIR JAMES: And under convenience -- you know, I would -- I think that there is an appropriate place, and I think this is it. With some of the recommendations that we had as an example on convenience gambling, this is where it should be. It should be right here because this is a discussion of regulation. If we’re going to regulate that form of gambling, this is where it should be.

COMMISSIONER MOORE: I just picked that out at random. I mean, we could go to para mutual gambling.

CHAIR JAMES: In terms of regulation, it should be here.
COMMISSIONER MOORE: Thank you. We recommend -- I mean, this Commission is paid. We should have a voice. One lady and seven other smart men here that I believe that --

COMMISSIONER DOBSON: Who got left out here?

(Laughter.)

COMMISSIONER MOORE: Myself.

CHAIR JAMES: Is the lady smart or not smart?

COMMISSIONER MOORE: Right. She’s smart.

CHAIR JAMES: Okay. Just checking.

(Laughter.)

Just checking.

COMMISSIONER MOORE: She’s smart.

CHAIR JAMES: I guess what I’m saying is as we continue this process, every single recommendation that we have had should be reflected in this document at this point. And there is an appropriate place to put them all.

And, Jim, we have a list of all of those recommendations, and one of the things I’m going to be spending my time doing is cross checking to see that every one of them is in here in the next few days.

COMMISSIONER DOBSON: Well, I just -- on the record, I just see a super big problem with that. This is the fundamental issue we have dealt with to this point is, what have we said? Where can you find it? And how have we said it? And I just feel we’re going to, you know spread it throughout the whole document and never get it said.

Why would a person look under regulation to find a general comment on convenience gambling and our concerns about that? That has social implications, all kinds of other
implications. And to bury it here, the logical place for that is where you talk about convenience gambling.

That’s the last I’m going to say about it, but at least I’ve registered my concern.

COMMISSIONER McCARTHY: I don’t believe that. I don’t believe that at all.

COMMISSIONER DOBSON: Well, I may renege.

COMMISSIONER McCARTHY: On the matter in front of us, Madam Chair, I think we’ll be able to address it more concretely when we see Bill Bible’s contribution to the language here.

On the issue of convenience gambling, we will have much more on this issue when we get some of the responses from governors to whom we sent that series of questions to. That may be the last thing that is actually written into this. But this is an area that Mr. Wilhelm has been emphasizing from the very beginning.

We do have some information on that in the NORC report, but I think it will be amplified by the responses we get from some of those 30 gamblers that we sent a series of questions to.

COMMISSIONER WILHELM: No. Governors.

COMMISSIONER McCARTHY: What did I say?

COMMISSIONER WILHELM: Gamblers.

(Laughter.)

COMMISSIONER McCARTHY: Media, avoid my mistake. Won’t get any answers.

COMMISSIONER MOORE: My point is that we’ve been listening to people talk -- those that came in at their own expense or paid by the tribe, those that we paid, and those that just came because they didn’t have anything else to do that day.

(Laughter.)
And we’ve listened to them for 18, 20 months now. And I don’t understand why we have to wait too much longer. I’ve already made up my mind on a lot of issues. I’m sure that Leo has, and I know Terry has, and we need -- somewhere we need to put down some recommendations that all of us can agree on.

CHAIR JAMES: Well, those recommendations do exist. I mean, there’s a lot that this commission has agreed to, that we have stated in very strong and very concrete language. We just need to see it reflected in here.

COMMISSIONER LEONE: And, indeed, I would say that it’s less important what structure we come up with than what we decide to say and what we recommend. And there are a lot of recommendations that have been submitted. Some of them we talked about last time. There are some that have come in this time. I sent a memo in a few days ago with some recommendations.

And I think -- frankly, I think this report should be driven by the thrust of what the Commissioners want to say, what all of them want to say, and, apart from that, what a majority want to say. And allowing for the fact that -- a minority that disagrees on this or that, we’ll have an opportunity to be heard.

And I think that whether -- Bill was saying over here you could combine the gambling in America with the regulation and go by section and say, "This is how much casino gambling there is, and here’s how it’s regulated. Here’s what the convenience gambling is, and here’s how it’s regulated." That will be all right, too.

But no matter how much better job we do of assembling and organizing the facts compared to what has existed in the past, what people will be looking for is, where’s the beef? What
is it we say about these things? What do we want to do about
them? What do we feel about them?

And I think we should be focusing in these categories,
while we’re together, on what we want to say about lotteries,
convenience gambling, casinos, tribal gambling establishments,
internet, other things. I mean, and try to -- because we ought
to argue those points out here, rather than the diction and
grammar.

CHAIR JAMES: Let me just --

COMMISSIONER LEONE: And, frankly, the draft needs --
it’s acknowledged by everybody. It needs substantial reworking,
and we may be arguing about sentences that are going to be
rewritten in the next few days anyway.

COMMISSIONER BIBLE: And we have settled a number of
issues. I mean, we’ve had quite a bit of discussion on lotteries
in terms of how lotteries should be supervised and regulated,
their advertising practices, independent governance boards.
Terry indicated that he felt -- and I think there’s general
concurrence -- that some of the vendors that provide lottery
services should be subject to the same sort of licensing
standards as --

CHAIR JAMES: And I guess what I’m trying to say, Bill,
is, how did that all get worn down to states must adequately
police themselves?

COMMISSIONER BIBLE: You shouldn’t be asking me the
question.

CHAIR JAMES: No. That was a rhetorical question.

COMMISSIONER BIBLE: I don’t know where it all
disappeared.

CHAIR JAMES: Yeah.
COMMISSIONER BIBLE: And Jim had a series of recommendations the last time we met that dealt with very specific casino practices.

CHAIR JAMES: And so --

COMMISSIONER BIBLE: They have not gotten translated to paper. So I think there’s a lot of frustration.

CHAIR JAMES: Jim, I am far less concerned about the structure than I am about the fact that those very hard-hitting recommendations that we came up with are not right here or somewhere in the document.

COMMISSIONER DOBSON: I’m very concerned about that. I said this morning that I recognized several that -- I recall several that I could not find in the document so far. Maybe they’re hidden in there, and that’s part of the problem.

But also on this, the 19th of April I sent a letter to you, John, with recommendations for this chapter. There were five recommendations there, and two of them are included and the other three are not. Now, if they’re not going to be there, then they ought to be raised here, and I think you have an obligation to tell us why you didn’t include them, or at least call it to our attention that you didn’t.

It’s left up to us to find them, and then it may be too late to deal with it. This has been on your desk since the 19th, or at least that’s when we sent it. Actually, this is the 21st. What do I do with that?

DR. SHOSKY: Okay.

COMMISSIONER BIBLE: What are the issues in there? I don’t think I’ve seen the document.
COMMISSIONER DOBSON: Well, they are lengthy. I'd probably rather pass them out to you like we did the last time. Have you got it?

CHAIR JAMES: Jim, you sent that to everybody, didn’t you?

COMMISSIONER DOBSON: I did.

COMMISSIONER BIBLE: And they may have come. They may have come. It’s just -- you know, we’ve gotten an awful lot of material.

COMMISSIONER DOBSON: Well, it hasn’t been that long. What is this? Today is the 27th.

COMMISSIONER LANNI: I didn’t receive one. I don’t believe I’ve seen this.

COMMISSIONER WILHELM: I don’t recall seeing it.

COMMISSIONER LEONE: I sent something on the 23rd. Did you get mine?

COMMISSIONER BIBLE: Yes. I made all kinds of comments on yours.

(Laughter.)

COMMISSIONER LEONE: Okay. I bet.

(Laughter.)

Mine was -- there were a couple of intentionally provided ideas in there.

COMMISSIONER BIBLE: You’ve hit more than two home runs and that’s your cartoon.

COMMISSIONER LANNI: I didn’t get the cartoon.

COMMISSIONER DOBSON: It’s 3, 4, and 5 that have not yet been dealt with. I’m not assuming that everybody agrees with that. But if not, we ought to talk about it.

CHAIR JAMES: Absolutely.
COMMISSIONER LANNI: Kay?

CHAIR JAMES: Yes.

COMMISSIONER LANNI: Just, again, not to belabor the point, but I think we put a very difficult burden upon staff to write the chapter, frankly, before we have resolved what the recommendations are going to be, because much of what the focus of the chapter will be based upon the recommendations -- you may have recommendations that don’t comply or are out of sync with even the verbiage included in there. I wouldn’t --

CHAIR JAMES: I would agree with you, except for the fact that there were some very specific recommendations on regulations and direction that was given that’s not here.

COMMISSIONER LANNI: No. Notwithstanding that, and I agree that that is there, but I think we would be better served -- my own personal view is that we would be better served by discussing recommendations today in each of these areas that we’re talking about.

I think in some areas we can agree, and other areas we’ll probably disagree and maybe -- I just think there’s value. I think it makes it easier for the people writing to write a report and a chapter that coincides with the recommendations that are going to be made.

And we’re talking so much about the text, and I think as Jim pointed out we’re going to -- or somebody -- maybe Richard did maybe -- I don’t know. Someone did. But we are, you know, nitpicking spelling and words that may disappear as a result of rewrites anyway. I guess Richard said that.

So I’d love to see us get to the point where we’re actually just discussing what the recommendations are.
CHAIR JAMES: Well, actually, we had a very lengthy discussion on this very subject. Let’s do it again. Let’s talk about regulations. It would be helpful if -- Jim, I don’t know if you’d like to kick it off by talking about the ones that you sent around to Commissioners.

COMMISSIONER DOBSON: Can we slip out and make a copy of this? It’s more succinctly stated than I would --

COMMISSIONER BIBLE: When we were last together, you had a list with six items.

COMMISSIONER DOBSON: I did, but those were just line item kind of things. This is a two-page discussion. It has background for each one.

CHAIR JAMES: Okay.

DR. SHOSKY: Madam Chair?

CHAIR JAMES: Yes.

DR. SHOSKY: I’m not sure this would be helpful, and perhaps the best thing for me to do right now would be just to shut up. But I was thinking that if you wouldn’t mind, in the document that I had sent to all of the Commissioners where we summarized all of the recommendations from the last meeting, I do have all of the commentary on regulation. I’d be more than happy to read that for a moment if that would refresh --

CHAIR JAMES: Why don’t you start at the top of what you perceive came out of that last discussion on the regulations, and we will go through each of those again.

DR. SHOSKY: Sure. You bet.

CHAIR JAMES: Now, why don’t you describe for the record what it is that you are reading.

DR. SHOSKY: Okay. Thank you. As you know, at the last meeting when we discussed each one of the chapters there
were consensus comments and then there were recommendations that were developed. And my job, you'll recall, was to make note of all of those things, and I did that.

When I went back to the office I typed it all up, and this has been sent out to each one of the Commissioners. It's an 11-page document, and the title is "Comments and Direction: Reports Subcommittee, National Gambling Impact Study Committee," blah, blah, blah, "April 7th and 8th, 1999."

And the very first topic is regulation. And in that discussion these were -- I'll begin with comments that were made, consensus comments. That the chapter is to be an introduction to regulation. It's to be an essay on the range of regulation in the United States.

Second comment, "There are two connected issues. We need to make a judgment about casino-type gambling" --

COMMISSIONER LEONE: Can I interrupt?

CHAIR JAMES: Yeah. This is --

COMMISSIONER LEONE: We don't need -- with all due respect, John --

DR. SHOSKY: Sure.

COMMISSIONER LEONE: -- is your notes. We need to talk about recommendations -- not recommendations about how you write a chapter, but recommendations we want to make to the President, to the tribal leadership, to the Congress, to the leaders, to the public, about what -- that are relevant to the gambling activity in the United States.

So what we need is to identify the recommendations that we might want to make about something, regardless of how the report is structured.
CHAIR JAMES: Given that, let's look at -- I mean, the first thing in here is federal regulation. What is it that this Commission wants to say about federal regulation? Spit it right out.

COMMISSIONER BIBLE: Well, I'll talk about the issue. I think that there is a couple of areas where federal regulatory presence is appropriate. I think it's appropriate in the areas of interstate -- or, excuse me, in terms of internet gambling and in terms of tribal gambling activities. I believe that those are areas of federal responsibility.

CHAIR JAMES: Internet and tribal.

COMMISSIONER BIBLE: And tribal. No.

CHAIR JAMES: What did you say?

COMMISSIONER BIBLE: No, those are the two I said.

CHAIR JAMES: Right.

COMMISSIONER LANNI: I think -- say Native American. We're trying to get the terminology that --

COMMISSIONER BIBLE: Tribal is okay.

COMMISSIONER LANNI: Well, it should be consistent, though. It should be consistent.

CHAIR JAMES: Okay.

COMMISSIONER BIBLE: And those are two areas where I think it's appropriate that there be federal involvement. Beyond that, I --

CHAIR JAMES: I don't mean to interrupt, Bill, but I --

COMMISSIONER BIBLE: -- think the matter should be left to the states.

CHAIR JAMES: -- do sort of. What I'd like to do is when you make a declarative statement, to see if we can get
consensus on that. And let’s get to the point where we’re clicking them off rather than holding a discussion.

So what I heard you say is that there should be a strong federal involvement in the regulatory process of internet and Native American gambling.

COMMISSIONER BIBLE: Correct.

CHAIR JAMES: Okay. That’s a declarative statement that’s there. It’s on the floor for discussion and debate.

COMMISSIONER LEONE: Well, as I understand it, we’ve already agreed unanimously that we support a ban on gambling on the internet. That was at a previous meeting.

CHAIR JAMES: Right.

COMMISSIONER LANNI: That’s the first recommendation.

COMMISSIONER LEONE: I have one other recommendation that relates to the internet.

CHAIR JAMES: Okay.

COMMISSIONER LEONE: Which is this -- which I stole from somebody else. If for technical reasons the effect of outlawing internet gambling is impossible, federal legislation should prohibit electronic bets using credit cards.

COMMISSIONER BIBLE: Well, I put a different spin on the issue. I think that’s one of the enforcement mechanisms for prohibiting internet gambling, that you simply don’t make debts that are created on credit cards, where the wagering activity takes place through the internet, and enforce that.

COMMISSIONER LEONE: That’s fine.

COMMISSIONER LANNI: Yeah. I think as long as we unanimously agree to, you know, favor outlawing internet, just leave it at that and not quality it at all, it makes more sense.
CHAIR JAMES: We have a very strong statement on internet that had -- the statement that we had before on this, however, says internet and Native American or tribal gaming.

COMMISSIONER DOBSON: What I like about Richard’s suggestion, though, is that’s something you can get your teeth into. What is done in another country in the way of the internet that has a way of getting into our country you can’t maybe regulate, but you certainly could regulate the use of credit cards on our people within our borders.

CHAIR JAMES: Would you like to separate that out and make it two distinct pieces?

COMMISSIONER LANNI: The only thing is -- maybe I’m missing something, but I think we -- if we are suggesting that Congress, being the authorized body, outlaws it, how they implement outlawing it and all of these things, why limit it to one aspect of credit cards? Anyone involved in it -- if it’s illegal, they wouldn’t be allowed to be involved in it, period. I don’t understand why we’re adding --

COMMISSIONER DOBSON: Obscenity and child pornography are illegal, too, but they come in and are not regulated, because you can’t get at the people who are doing it.

COMMISSIONER LANNI: I mean, we could broaden the language by saying, you know, we would like them to outlaw it and to use all legal means of enforcement to deny the right for anyone to utilize internet waging --

COMMISSIONER DOBSON: How about "such as"?

COMMISSIONER LANNI: Such as?

CHAIR JAMES: Credit card.

COMMISSIONER LANNI: The only thing I worry about when you say "such as," then you’d leave out all of the other "such
ases" we can’t think about. If it’s just a -- at this given moment, I mean, if we’re specifically suggesting on a unanimous basis that this Commission has determined that we would like to see gambling on the internet outlawed, I wouldn’t even limit it to the United States.

Whatever influence the government of the United States can have on trading partners and others to outlaw it in their countries, such as Australia, I’d like to see it happen there also. I mean, I just -- I don’t see the purpose to purely the credit card issue.

I mean, I’d love to put in there, then, that we’ll do whatever we can to do something internationally, to use our influence of our government to encourage the trading partners and allies to, in turn, not allow it. So I think you just qualify it too much. I think it’s better to say we’re opposed to it.

COMMISSIONER DOBSON: Well, then, we’re at a disagreement on that issue.

CHAIR JAMES: Well, maybe not, because what I heard you say, Terry, is your concern was that it would eliminate or it would leave out other potential forms of enforcement mechanisms that the government may have at its disposal. What if you used some language that said, you know, the ban and that the government would use enforcement mechanisms such as -- that are at their disposal, for example, credit cards, which implies that there are other means as well, and doesn’t limit it?

COMMISSIONER LANNI: And the purpose of that, Jim, is to deny the right of people to use credit cards in this country for offshore. I’m not sure what your --

COMMISSIONER DOBSON: To engage in illegal activity, yes.
COMMISSIONER LANNI: I just think it limits it, but if it’s that important to you to have the credit card issue in there, I will go along with it.

COMMISSIONER DOBSON: What we keep hearing about the internet is that it’s not a doable thing. We don’t have any means by which to regulate it. This is something concrete that could be done fairly simply, and I think could have an impact.

CHAIR JAMES: Would you have a problem with, as an example, credit cards?

COMMISSIONER LANNI: No.

COMMISSIONER LEONE: Including but not limited to.

COMMISSIONER LANNI: That would answer -- I’m concerned about it being a limiting factor, rather than --

CHAIR JAMES: Yes.

COMMISSIONER LANNI: I’m opposed to it because --

CHAIR JAMES: Included but not limited to.

COMMISSIONER DOBSON: That’s fine.

CHAIR JAMES: Okay.

COMMISSIONER LANNI: Anyone else disagree with that?

COMMISSIONER BIBLE: I don’t care whether it’s in or out. I mean, I think you get to the heart of the matter when you recommend that you want to prohibit internet gambling.

COMMISSIONER LEONE: Can I -- before we leave this and move to the other federal issue, Native American, which I’m sure we’ll -- I wish -- we should have more people here for it. We ought to discuss it. Are there other electronic -- Bill, are there other electronic activities, gambling activities, that the Federal Government is best situated to deal with that are on -- you know, in the pipeline or beginning to occur? I mean, I just -- I’m not very good at this type of thing.
COMMISSIONER LANNI: Probably e-currency, which I don’t think is being widely used anywhere on the ‘net, but that is one area where the --

COMMISSIONER LEONE: What is e-currency?

COMMISSIONER LANNI: You can go and essentially get a debit on a debit card anonymously and then use that debit card to do a transaction. It’s kind of like going to Cosko and buying a phone card, or something of that nature. You buy units of money, put it on a card, and use it for some purpose.

CHAIR JAMES: Well, would you want to include that here?

COMMISSIONER BIBLE: Then you have transmitters of money. You have people that -- Federal Express, Western Union -- that transmit it in various manners, stick it in an envelope and Federal Express it. Or you go down to Western Union and wire it. There’s all kinds of transmitters and --

CHAIR JAMES: Why don’t we say this, Bill --

COMMISSIONER BIBLE: It’s a very broad topic.

CHAIR JAMES: Here we’re talking about internet. You may want to broaden that to have a statement there that would look at other forms of technology or computer-generated --

COMMISSIONER BIBLE: And that has always been part of the problem. What is currently part of the problem in the regulatory systems is keeping up with the technology, because as soon as you develop one method of resolving a problem, the technology allows somebody to go around you. So that’s a very difficult area to work in.

CHAIR JAMES: Well, then, perhaps the recommendation should say something along the lines that this is a very fast-moving and changing area, and that our recommendations are
looking at the -- you know, as we exist today. However, it’s something that needs to be looked at periodically to make sure that the regulations are keeping up with the technology as it exists. How about that?

COMMISSIONER BIBLE: That’s fine.

CHAIR JAMES: Okay. I’ve said it --

COMMISSIONER LANNI: The caucus hasn’t come back yet to vote, so --

CHAIR JAMES: -- four times now, that the statement that is before us looked at internet and Native American gambling. What is the appropriate role, and what does this Commission want to say about the appropriate role of the Federal Government and Native American gambling?

COMMISSIONER BIBLE: Well, you could have a subcommittee report at some point, I assume, on what their findings were on tribal --

CHAIR JAMES: Would you all like to speak to that at this particular time, just on this issue of regulation?

COMMISSIONER LEONE: Where do we stand on the draft subcommittee report we received?

CHAIR JAMES: We have several. Which one are you talking about?

COMMISSIONER LEONE: I don’t know. The latest. The latest one. Does that fall in a form where we should, as a full Commission --

COMMISSIONER MOORE: We think --

COMMISSIONER LEONE: -- be reacting to it?

COMMISSIONER MOORE: -- the latest -- I do not believe that the one that’s in the back of the book is really the -- the wording, the latest one that the subcommittee came out with. We
do have a list of recommendations, and I do not believe -- there
are potential recommendations, what I'll call them, and I do not
believe that those are the actual ones. We’ve changed them a
little bit.

And I might add that we’ve changed them the way that
we’re changing them at the suggestion -- at the last meeting,
there was some regulatory terminology. There are some thoughts
that Mr. Loescher, Mr. Wilhelm, and myself had, but we didn’t
know exactly how to put them into words.

And so we asked Mr. Bible, and he graciously agreed, to
look over those and to put them in a little bit better form for
us.

CHAIR JAMES: He has not completed that process yet.
Is that correct?

COMMISSIONER MOORE: And we want --

COMMISSIONER BIBLE: Well, I had some correspondence
from Mr. Loescher on Thursday of last week asking if I could get
together with a number of individuals that he knows, and that
have an interest in this particular area, and I told him we’d be
happy to do so at some point. But I didn’t want it to slow the
work of this particular Commission.

CHAIR JAMES: At some point. That would be now.

COMMISSIONER MOORE: Well, we did have about 23
recommendations, potential recommendations, and --

CHAIR JAMES: What of those recommendations relate
specifically to regulation?

COMMISSIONER DOBSON: Madam Chairman?

CHAIR JAMES: Yes.

COMMISSIONER DOBSON: First of all, I want to issue an
apology to the rest of the Commission because I know that I’m one
of nine, and we have to kind of yield to one another and no one can take over the meeting. And I don’t want to try to do that.

We did get the information on this chapter late, and we have not had a chance to disseminate to everybody our concerns. But there are many recommendations that we have that comprise eight pages of information.

I’m going to ask that it be reproduced and distributed, and give people a chance to look at it. And the Commission will just have to see where we go. But I don’t know any other way to deal with our concerns that have come very, very late.

CHAIR JAMES: Certainly.

COMMISSIONER DOBSON: Especially since we are now walking back through some territory that we have already discussed before. And if we’re going to open all of that up again, there is a lot that we need to do. And I don’t want to reinvent the wheel here.

So if -- with the permission of the chair, I will distribute that as soon as we get it reproduced.

CHAIR JAMES: Okay. Is that what you’re passing out now?

DR. SHOSKY: No. This is not the same thing. These are the five recommendations that --

COMMISSIONER DOBSON: Yeah. These are the five that were set before. But then there are the ones that come out of what we just received.

The first two here are dealt with. The third one asks the question, but then doesn’t answer it. And the fourth and fifth are recommendations.
CHAIR JAMES: I am going to ask Commissioners to include that in their reading for this evening and have it as a topic of discussion starting off tomorrow morning.

COMMISSIONER DOBSON: Okay. And we will have the other document momentarily.

CHAIR JAMES: right.

COMMISSIONER LEONE: Kay, is it fair to say that between now and when we adjourn tomorrow we ought to at least discuss all of the major recommendations that anybody knows of now? I mean, I’m not closing the door to --

CHAIR JAMES: That’s what we’re --

COMMISSIONER LEONE: -- somebody --

CHAIR JAMES: That’s what we’re trying for.

COMMISSIONER LEONE: So might I suggest something, then?

CHAIR JAMES: Please.

COMMISSIONER LEONE: I think we -- a number of us have recommendations on the lottery, and it’s -- and lotteries are something we’ve discussed a lot. No pun intended. And there is a considerable consensus about some aspects of the lottery thing. And maybe if we did that and got it settled, we’d -- you know, we could move down the path, because it strikes me that --

CHAIR JAMES: I have another recommendation as well.

COMMISSIONER LEONE: Okay. Whatever. I’m just trying to move it.

CHAIR JAMES: And that is that for a variety of reasons, much of this information did not get into the hands of Commissioners until very late, and some as late as last night, and some -- in my case, as late as early this morning. And it’s
very appropriate that we have the opportunity to review all of this, to study it all.

And the assumption was -- and one of the reasons we’re having a difficult time I think is the process would work if we had had a chance to assimilate all of this and work through and say, "The recommendations in this area, therefore, should be."

And, Dick, I think you’re absolutely correct, and that is that far more important than doing the line item edits is trying to reach agreement on what the recommendations would be in those specific areas.

I have to tell you, my concern is that we spent a great deal of time when we were together last time going over piece by piece and coming up with consensus in those areas with recommendation. And I can’t, like you, Jim, find them.

And so a part of what needs to happen is to work through all of this and find them and make sure that they’re in, they’re worded in the strongest possible language that this Commission can come up with.

And so I had said to several Commissioners earlier that I think probably one of the best uses of our time is study time, as Commissioners, to really go through all of this information, some of which Commissioners have not had the opportunity to really read and study.

COMMISSIONER BIBLE: And I think what has happened between the time we last met and today is that we’ve kind of taken the Titanic and we’ve turned the rudder over a hard right. But we haven’t turned the ship yet because we -- you had asked the staff to go back and revise from a 22-chapter format to a seven-chapter format. And that’s a tough transition to make --

CHAIR JAMES: Sure it is.
COMMISSIONER BIBLE: -- in two weeks. And you’d expect a number of items to get left out.

CHAIR JAMES: Sure. And we just --

COMMISSIONER DOBSON: And I’d like to say a word on behalf of John and the task of doing this.

CHAIR JAMES: It’s incredible.

COMMISSIONER DOBSON: I couldn’t do it as well, and I think we do have to recognize this is an impossible assignment.

CHAIR JAMES: Mission impossible. But if anybody could, he could.

Having said that, Dick, I think you’re correct. There is a great deal of consensus on lotteries. If we’d like to pick out maybe three areas that we could do today, move through, then perhaps adjourn, spend some time reading, studying, caucusing.

COMMISSIONER BIBLE: Well, the lotteries, just going from my memory, I believe we had general concurrence that --

CHAIR JAMES: Well, let me ask you this. John, if we wanted to see in here right now the recommendations as they existed on lotteries, where would we look? It should be several places based on this.

COMMISSIONER LANNI: Wasn’t it your summary memo that you sent us? Pages 4 and 5?

DR. SHOSKY: Thank you. Indeed.

COMMISSIONER BIBLE: It would be in the summary memo, but it would also be from our earlier discussions about --

DR. SHOSKY: Well, but this is a summary.

COMMISSIONER BIBLE: Right. Some very specific --

COMMISSIONER LANNI: I have additional --

DR. SHOSKY: Right. If I could offer just a couple of comments that maybe can help clear the air a little bit.
CHAIR JAMES: What I want right now, though --

DR. SHOSKY: Right.

CHAIR JAMES: -- is an answer to the question: where will I find the lottery recommendations?

DR. SHOSKY: Yes. The answer to the question would be that if you had specific recommendations on the lottery, probably the best place that they should be would be this chapter.

CHAIR JAMES: Okay.

DR. SHOSKY: Regulation.

CHAIR JAMES: But we did --

DR. SHOSKY: Now --

CHAIR JAMES: -- give specific recommendations.

DR. SHOSKY: That’s right. You did. And this would be the appropriate place for them.

COMMISSIONER LEONE: No. Kay is asking what they were, not where they go.

CHAIR JAMES: Yes.

DR. SHOSKY: And what they were -- what the specific recommendations were -- Commissioner Lanni is right -- are on pages 4 and 5 of the memo.

COMMISSIONER LANNI: But they’re not all inclusive. There are additional ones that we made in Virginia Beach that I have made that I would like to reiterate that have been lost.

CHAIR JAMES: Okay. Let’s stay on pages 4 and 5 of which particular document?

DR. SHOSKY: Comments and direction. It’s the additional piece.

COMMISSIONER BIBLE: That would be the document that was faxed to us on 4/22.

DR. SHOSKY: Right.
CHAIR JAMES: Yeah.

COMMISSIONER BIBLE: And there’s -- it appears to be undated.

DR. SHOSKY: If I could just offer one comment. As this material was being prepared into the new outline, one of the concerns that I had with everything happening as lightning fast as it was happening was that many of the things that were in this 11-page document would not be reflected in the document that we were preparing.

And so I specifically asked that this 11 pages would be sent to you because there needed to be a checklist, which obviously it can function to do based on our last meeting. But also, the recommendations that are supposed to be in here are listed in this 11 pages.

So if for any reason -- and this obviously did happen -- if for any reason they weren’t included with everything happening as fast as it was in getting this material into the new format, there was at least a summary of the recommendations that everyone had agreed on at the last meeting in this 11 pages.

So it’s not that we have forgotten them. But I do think that in the way things were being formatted it was possible that some of this stuff did not get included properly. And I think that that’s where the confusion lies, if I could put my finger on it.

CHAIR JAMES: Okay. Having said that, let’s look at page 4, go through the recommendations that are there, and pick up the others that are left out. And these are to be worded into specific recommendations that will appear at this particular point.
The first area of consensus that we had said there should be a tax on lotteries for treatment and education. That needs to be worded in form, and there was consensus on that very issue.

And so, Bill, I would ask, as you are looking at the regulations section, that we could look at turning that into a recommendation. Your question?

COMMISSIONER BIBLE: I don’t know if there’s consensus on the issue. Richard suggested this issue, that there be an excise tax on the tax.

CHAIR JAMES: Well, as I remember the conversation, because I said I had a little bit of a problem with tax, could we say a percent of profit, could we say some other --

COMMISSIONER BIBLE: Which would be different than what we said here. Mr. Lanni had earlier indicated at least he had a position that all segments of the industry should share equally the burden.

COMMISSIONER LEONE: You know, I always used to say, when I was --

CHAIR JAMES: This is going to be --

COMMISSIONER LEONE: -- state taxes that raising taxes ought to be hard, that in a democratic society it shouldn’t be easy to raise taxes. It should be politically difficult and painful.

And I would think, Kay, you are certainly somebody --

CHAIR JAMES: I would agree.

COMMISSIONER LEONE: -- who would agree strongly with that. This is a painless tax in a sense because it is seen as something else, again. The tax on this tax is meant to be an irritant.
It’s an excise tax for treatment and for dealing with problem and pathologic gambling, which is a reminder every time you buy a ticket and you’re irritated by the tax that there’s a cost associated with having this form of gambling in our state. That is, it produces problem and pathological gambling, and maybe other problems, and that it’s -- and that there’s a cost associated with doing it.

I recognize that it is, to some extent, simply a way of bringing to people’s attention the fact that these resources are going for a specific purpose, and you could do it out of proceeds or out of general revenues. And I am generally in favor of the notion that money is fungible, and it’s all general revenues. But this is meant to draw attention to the fact that there are costs associated with it.

Now, will it change the world, or will it change anything? You know, probably have very little effect, but I think it is -- I can’t see that it would do any harm because I think it’s an irritant, and I intend it as an irritant.

COMMISSIONER BIBLE: But I think that the net result of that is you’re trying to create an irritant tax, so if you have a dollar lottery ticket you have to pay a dollar and a nickel for it, if there’s a five percent tax. They will simply reprice the ticket to a dollar, and 95 cents will go to the lottery and five cents will be the tax, and nothing will change.

CHAIR JAMES: Well, and there was some discussion that we had last time about whether or not it was appropriate to try to regulate people’s behavior through the Tax Code. And so -- and you said yes, and --
COMMISSIONER LEONE: We do that with cigarettes, and we -- alcohol. Do we want to take away those taxes, which are designed to discourage --

CHAIR JAMES: Some would say yes; some would say no. But my point was that --

COMMISSIONER BIBLE: And some would say yes to one and no to the other.

CHAIR JAMES: To others. But having said that, I think we did reach consensus on the fact that we did want to see a portion of money from lotteries going for treatment and education.

Now, we did not reach consensus on whether or not that would be a tax or whether or not that would be a percent of profit.

COMMISSIONER LANNI: I would add one more -- research, treatment, and education.

CHAIR JAMES: Yeah, that’s correct. It was research --

COMMISSIONER LANNI: My own view on this -- if we get bogged down so much in the specific detail of this, if it’s a tax or a portion of revenue, we’re going to be here until June of 2006. I know we won’t be, but, I mean, the point is we’re going to be wasting too much time.

CHAIR JAMES: Sure.

COMMISSIONER LANNI: And if we have a consensus here, let’s -- I don’t think we should get so caught up in the detail of how it should be. I believe, as Bill does, it’s better -- and maybe what you said, Kay, is that it’s better to say we are asking the states, the individual states, to take a portion of the revenue that they take in now from the lottery and provide it for research, education, and treatment.
CHAIR JAMES: And I would even be willing to leave that open. If a state chooses to do that through taxes, or if they choose to do it through a percent of profit, that’s a decision that’s best left to the states and to the people who are closest to that form of government. So --

COMMISSIONER DOBSON: Madam Chair?

CHAIR JAMES: Yes.

COMMISSIONER DOBSON: Again, procedure means a lot to me, and to some of the others. I want to make sure I understand where we are.

CHAIR JAMES: We’re on lotteries.

COMMISSIONER DOBSON: Yes, I understand that. In front of me is a list of conclusions or recommendations or statements that we made from the April 7th and 8th meeting, which John indicates are not yet in the document. He is not sure why, and neither am I. But this is why I wasn’t able to find them.

CHAIR JAMES: Right.

COMMISSIONER DOBSON: But we have already discussed every one of these. Are we really going to go back now and go through what we did two weeks ago?

CHAIR JAMES: One could only hope not, Jim.

COMMISSIONER DOBSON: I agree. We have already talked about this. But it’s not in there. What we need to do is implement what we agreed upon, or at least following your procedure of including everything that wasn’t objected to. So --

COMMISSIONER LANNI: Was a formal vote taken at that meeting?

CHAIR JAMES: No. We just tried to reach consensus on --
COMMISSIONER DOBSON: Where there was objection, then I think it was --

CHAIR JAMES: We worked it out.

COMMISSIONER DOBSON: Yeah.

CHAIR JAMES: My concern on this one, Jim, was I didn’t think the statement that was here accurately reflected the conversation that we had.

COMMISSIONER LEONE: I don’t either.

CHAIR JAMES: And just wanted to be sure. So I don’t want to open it up, but I also don’t want to let a document stand that does not accurately reflect the conversation that we had last time.

COMMISSIONER LANNI: For example, research is not in this verbiage, but we have discussed research before as part of it.

COMMISSIONER DOBSON: Then, the other half of the question that I raise is whether all of this is going to get included in the document. And if so, when and where? Because that was three weeks ago that we did this work.

DR. SHOSKY: If I could answer that, please. It’s absolutely going to be included in, and that’s absolutely the reason that I wanted the list to be part of the discussion today. As things have been moved around, it has been very unclear at certain points where things are supposed to go.

And, in addition to that, you’ll probably remember that I had to have all of this done around the 20th. And so what we were trying to do was we were trying as quickly as we could to get as much done as we could in order to be able to get the document out.
And it’s true that in this document some of that stuff is not there. But while this may be a lame answer, it’s at least an answer. That’s why I wanted you to have this other document in your hands, and to know that those recommendations have been catalogued.

Once we receive the instruction as to where exactly you want us to put them in, they’ll be there, and they’re going to be there. They’ll be there and they’ve always intended to be there. It’s just that as things were progressing I was afraid some things were not fitting in or might get left out, which has indeed happened. It’s an embarrassment for me.

But at the same time, please rest assured that that information is, you know, obviously going to be in the report.

CHAIR JAMES: Are you saying, John, that you need some help in deciding if the Commissioners said, as an example, that there should be a tax or a portion of the profits on lotteries allocated for research, treatment, and education? That you don’t know where to put that?

DR. SHOSKY: That is --

CHAIR JAMES: And you want somebody to tell you where to put it?

DR. SHOSKY: In all honesty, I really don’t know where to put that.

CHAIR JAMES: Okay.

COMMISSIONER DOBSON: How about in the lottery section?

DR. SHOSKY: See, previously, it would have been part of that mega chapter on the --

CHAIR JAMES: Okay. Well, I’ll tell you what. We will work with you. I will work with you, and the group of
Commissioners who -- and help you put every piece of this in there.

And we will take that cost reference, as I said earlier, about a couple of hours ago, that matrix of all of them, and make sure that every one of those is in this document, and nothing is going to get left out.

DR. SHOSKY: Okay.

CHAIR JAMES: And nothing will be left out.

DR. SHOSKY: Okay.

COMMISSIONER DOBSON: Thank you.

DR. SHOSKY: But, Commissioner Dobson, if I could just mention one more thing. That’s why all of your recommendations in that document from the 21st weren’t included, because the report was literally leaving my hands as that was coming --

COMMISSIONER DOBSON: I understand.

DR. SHOSKY: -- onto my desk.

COMMISSIONER DOBSON: I understand.

CHAIR JAMES: Okay. Where we are right now, as I understand it, is looking at lotteries and seeing if we can reach some consensus on -- because there seemed to be a great deal of it -- on what it is that this Commission wanted to say. We’ve had this discussion. It’s in the record. It is not reflected in the document that we have before us. And if we could just list them off, that would be helpful.

COMMISSIONER LANNI: We have one.

CHAIR JAMES: Okay.

COMMISSIONER LANNI: I think you just did one.

CHAIR JAMES: Yes.

COMMISSIONER LANNI: Okay. You did one.
Okay. The second one, I would make a recommendation, as I did before, that the entities who provide the goods and services relative to lotteries, to the several states, undergo a thorough scrutiny and licensing process, if they do not do so already.

CHAIR JAMES: Yeah, you said that one before. Yes, you did. I remember. Yeah.

Did you get that?

COMMISSIONER MOORE: That means that all of the types of machines that they use and --

COMMISSIONER LANNI: What I’m saying is that if individuals or companies, they, as individuals and companies, need to be licensed in the normal process that a state would set forth, doing background investigations and scrutinizing the legitimacy of the individuals, the backgrounds of the individuals.

Right now, there are certain states where that is not done, and an individual who could have illegal offshore money could funnel it right into an operating aspect of the lottery. And I think they should --

COMMISSIONER McCARTHY: That’s one of the basic requirements of the Belletire report.

COMMISSIONER LANNI: Right.

CHAIR JAMES: Right. And I think we even said when we had this discussion before that some states are better than others, and we just need to make sure that --

COMMISSIONER LANNI: Best practices.

CHAIR JAMES: That’s right. It will come out again in best practices.

COMMISSIONER LANNI: Then, I wouldn’t recommend that.
CHAIR JAMES: Next?

COMMISSIONER McCARTHY: Excuse me. Did I understand that that wording on that was that "attached on lotteries for research, treatment, and education"?

CHAIR JAMES: No.

COMMISSIONER McCARTHY: Thank you.

CHAIR JAMES: No.

COMMISSIONER LANNI: It’s not attached.

CHAIR JAMES: No. That’s not correct.

COMMISSIONER McCARTHY: Well, then, I would like it to be correct.

CHAIR JAMES: Okay. I know that. But what we did say, and I thought we had consensus on this, because some of us are a little uncomfortable with the term "tax," is that a tax or a portion of the profits be designated to --

COMMISSIONER McCARTHY: I think "proceeds" --

CHAIR JAMES: -- proceeds, excuse me.

COMMISSIONER McCARTHY: "Proceeds" is probably a better --

CHAIR JAMES: Yes. Proceeds. Because we can get more consensus using tax or proceeds -- be used for research, treatment, and education.

COMMISSIONER McCARTHY: At least five percent.

CHAIR JAMES: Let’s go for 10, Leo. Why not? We didn’t have a number in there. We didn’t have at least five percent.

COMMISSIONER McCARTHY: Let’s think about a minimum number. I don’t think that’s audacious, and I have looked through what the National Council on Problem Gambling sent us, and the range of some states that appropriate money from some
source for the very things we’re talking about now is generous. But in most of the states it’s very negligible.

COMMISSIONER BIBLE: But how would you come up with a percentage if you haven’t assessed the amount of money that’s necessary to provide the treatment, education, and research?

COMMISSIONER McCarthy: I would think that if we look over the amounts that are utilized on the key programs that we’re talking about here, we could come to some reasonable minimal number anyway.

CHAIR James: I would be predisposed not to have a number in there, but to say --

COMMISSIONER McCarthy: You ask for nothing, and you’ll get nothing.

CHAIR James: -- to say that --

COMMISSIONER Bible: Ask for something, and it will get spent.

(Laughter.)

COMMISSIONER Lanni: Maybe it could work this way. Maybe we could use some verbiage that would say, in addition to this, that they, you know, apply a sufficient -- an adequate amount of funds to deal with these three areas, based upon their studies as to what the needs are, something of that nature that would let the individuals -- because I, for one, also want to leave this as much as possible to the states.

I think the constitution specifically points out what the Federal Government is responsible to do and what it’s not responsible to do. Let’s let the states --

COMMISSIONER McCarthy: I’m sorry. It’s ultimately going to be up to the states to make these choices anyway, since we have no power over them. But if we leave it the way you just
suggested, expecting them to do research, 80 percent of the states have done no research on the basic problems we’re addressing. So they’re not going to volunteer to.

COMMISSIONER LANNI: I think, as you might remember, Leo, we have this responsibility -- to submit this to the governors of the several states, to the President, to the leaders of the House and the Senate, to the leaders of the Native American gaming, and I think this recommendation, as it goes to the governors, it’s up to the governor to take a look at that in his legislative, or her legislative, involvement with the particular houses, and, again, try to get it into some percentage.

I don’t think that necessarily makes any sense. I mean, I would -- I just couldn’t support that. I am happy to put in words adequate to deal with these three areas, and we’d recommend maybe the governors take this into consideration for proposed legislation in their individual state legislatures.

CHAIR JAMES: John?

COMMISSIONER WILHELM: I would agree that it’s not appropriate to put a particular number in, and I would think that for two reasons. One, because I don’t know that the inclusion of a number somehow gives our recommendation any greater force than it has without a number.

But in addition to that, in going back to the recommendation that Terry made more broadly quite a while ago, which I personally support, we’re talking about lotteries right now.

But if our recommendations -- plural -- ultimately are going to include along the lines of Terry’s suggestion, if I’m remembering it correctly, that a portion of lottery proceeds, a
portion of the existing privilege tax for casinos, where there is one, a portion of tribal gaming proceeds — in other words, some portion of all of the proceeds of gambling that is legal in a particular state — should be devoted to these purposes, then I don’t think you can pick a number for a lottery or anything else. Because, I mean, just as an example, the needs of the State of Nevada might very well be dealt with by a quarter of one percent of the existing privilege tax. I don’t know. You’d have to figure out what the needs are.

So for those two reasons, I think the inclusion of a particular number doesn’t make very much sense. So I will --

COMMISSIONER McCARTHY: I succumb with my usual flexibility. But John just raised an important point here and reminded me of what Terry had said in an earlier meeting. We’re limiting this in this language only to lotteries.

CHAIR JAMES: And the --

COMMISSIONER LANNI: That’s just because we’re discussing lotteries.

COMMISSIONER BIBLE: That’s because we’re talking about lotteries. I --

COMMISSIONER McCARTHY: No. I appreciate that. But it’s somewhere in here -- I think we want to repeat your statement, as John just characterized it. My sense is that you’ll have broad consensus on this Commission for a recommendation that indicates that gambling does cause problems, and it’s going to take some funds to address those problems.

And that will take the form of research, of education, of treatment, and that all sectors of the industry should help fund that, whether it be from existing revenues that they are
already providing to states or a newly formed tax. But each state can make that determination.

COMMISSIONER DOBSON: If you’re not going to put a number on it, you ought to make a statement that what has been done in the past has been woefully inadequate.

CHAIR JAMES: And non-existent.

COMMISSIONER DOBSON: In all areas, and virtually non-existent.

COMMISSIONER BIBLE: And I would agree that the expenditures are woefully inadequate. We did have some evidence in the record -- if you remember the testimony from the state Senator of Indiana -- where they use a portion of their admissions tax for treatment programs. But there are not enough individuals who have been identified requiring treatment, so they used the money for research, and they did a prevalence study in Indiana. We --

COMMISSIONER McCARTHY: There are about eight states that are doing these.

COMMISSIONER BIBLE: There was an AP wire story last week that Montana’s legislature rejected using monies for treatment programs.

COMMISSIONER McCARTHY: Yeah.

COMMISSIONER LANNI: Jim, in response to your question, that’s what I was saying. I think we need to get the answers, so they can write the verbiage. In the verbiage, I think they’ll build the case of why we have reached these answers. And that’s where I think you’ll point out the need for it.

And I think you wouldn’t make a recommendation if you thought it -- we wouldn’t be making recommendations if we thought they were doing enough or --
COMMISSIONER DOBSON: The need can mean a number of things. If it means treatment, then you probably could decide what -- how much would be adequate. The need for research, however, is infinite. I mean, this is an issue that could be studied by every state in the nation, and you still wouldn’t know it all. So whatever comes in can be used, I would think.

COMMISSIONER BIBLE: But I think you also have to recognize the general priority. I mean, in your area of the country you just had that tragic incident last week. And to me that incident, at least in terms of the priorities of governmental response, that’s something government should be devoting more attention to than this particular issue.

I mean, this issue pales by comparison to violence in the school where teachers and students are getting shot, and things of that nature.

You know, and if you earmark money, enough money will get used for this very specific purpose, and maybe not for a higher level purpose, as decided by the legislature.

CHAIR JAMES: Well, I think we’ve agreed that coming up with a number that we put in here is not likely to happen, but that we can have the strongest possible language on the need for either taxes or a portion of the proceeds to go for research, treatment, and education, and to add the statement that Dr. Dobson said about the local lack of such resources that are currently available.

COMMISSIONER LANNI: No. The only aspect of that -- I would ask the Commission to consider that wherever we put the woeful lack, I think it should be in the text. And for all of these things, for the text that leads up to the recommendations, rather than for each of the recommendations.
CHAIR JAMES: Yeah. We'll just say the local lack -- therefore, we would --

COMMISSIONER LANNI: But I don't think we should put woeful lack here or, you know, not enough here or too much. I just think it gets too convoluted. I'd make the recommendations cleaner, pick up the verbiage to support it in the verbiage of the chapter.

CHAIR JAMES: Right.

COMMISSIONER LANNI: If that's acceptable.

COMMISSIONER BIBLE: Have we ever thought about --

CHAIR JAMES: Wait a minute.

COMMISSIONER BIBLE: How about a nine-chapter report where each of us write a chapter?

(Laughter.)

And then we'll just put it together, this is how you --

CHAIR JAMES: Hey, I'm almost there, buddy.

COMMISSIONER LANNI: How about just nine separate reports?

COMMISSIONER BIBLE: No, no. Nine chapters. I want mine to be alone.

CHAIR JAMES: Don't even go there.

COMMISSIONER McCARTHY: To echo what's been said on other matters, your consistency throughout the report, when we use numbers or -- I think even though we're talking about lotteries here, we ought to use Terry Lanni's basic idea that you look at the makeup of all forms of gambling in a state, and then you figure out how to equitably let them all participate.

Because what we're talking about here -- research, education, treatment -- they all contribute to, and so forth.
COMMISSIONER BIBLE: But, you see, that recommendation probably ought to come under pathological gambling because it’s universal to all forms.

COMMISSIONER McCARTHY: My only point is wherever we mention trying to do this we are consistent with the language that we use.

COMMISSIONER BIBLE: I understand.

CHAIR JAMES: Absolutely.

Lotteries -- anything else you want to say about the lotteries? What about advertising, in terms of regulation or -- where does that go?

COMMISSIONER BIBLE: Well, the last time we talked about the issue we had general consensus that there should be some independent oversight of lottery activities, and one of their functions should be to examine and scrutinize the advertising practices.

COMMISSIONER DOBSON: It’s on page 2 of the list.

COMMISSIONER BIBLE: Of your list.

COMMISSIONER DOBSON: No, of the list that --

CHAIR JAMES: Okay. It’s actually page 5.

COMMISSIONER DOBSON: I must have a different copy. Mine is 2. Yes.

COMMISSIONER LANNI: Would this be a time that you’d also want to put a best practices recommendation in the lotteries on advertising, in addition to having an oversight?

CHAIR JAMES: Oversight, best practices. What else?

COMMISSIONER LANNI: Well, maybe it’s in reverse order. Best practices, and then the oversight would be determined if they followed those best practices -- an independent agency. Best practices for a lottery, for its advertising, and then
oversight I think would be after that, to have an independent body determine if they are following the best practices that have been accepted by the state.

CHAIR JAMES: Can I make this recommendation? Because most of what we’re saying right now has been said before. We’ve said all of this. We’ve had this discussion. And what needs to happen is that we make sure that those things that we have agreed upon are in this document. Can we agree to that?

Because I really feel like to make progress here we need to accept as an assumption that anything that we’ve already reached consensus on should be there, and that it’s incumbent upon every one of us as Commissioners to read this document carefully to find those holes where that does not exist and where that does not happen.

COMMISSIONER LANNI: I would only add, Madam Chair, that if we had the chapters with those determinations at the end, it would be easier to see if they follow. Because we’ll have to do it from memory as to what else might be recommendations. I think we’re going along pretty well here coming up with the recommendations.

If there’s others that we’ve agreed upon and we can’t remember them, maybe someone else can remember them and we can put them in. And then when we read the chapter, we’ll see if they comport to the particular resolutions. But I can’t remember all of the things we’ve agreed upon in the last two years. Of course, there aren’t that many, so we probably have --

CHAIR JAMES: Oh, no, there are.

(Laughter.)

COMMISSIONER LANNI: Just kidding.
CHAIR JAMES: Absolutely. As a matter of fact, quite honestly, in going back and looking at the transcripts, what is amazing is the great consensus that does exist in many of these areas.

I think what I am sensing here is a little disappointment at the strength of the language and the recommendations not having gotten translated over into this particular document where we are right now. But that will be a part of our homework assignment for the evening.

Other things in this particular chapter? Remember, this is regulation as it relates to lotteries, sports wagering. Let me check to make sure.

Gambling regulation -- it should -- the whole breadth of regulatory -- John, do you understand the concern that we have here with those -- oh, yeah, you got it. Okay. We don’t need to belabor that point, then.

COMMISSIONER LANNI: Again, I’m not trying to belabor it, but if we’re trying to make recommendations in each area, there was, I think, consensus that -- if I’m not mistaken, that there be a recommendation that all forms of legalized gaming or gambling in the United States be only allowed to people at least 21 years of age.

CHAIR JAMES: Yes.

COMMISSIONER LANNI: So wouldn’t that be here also?

CHAIR JAMES: That’s correct.

COMMISSIONER DOBSON: Yes. That’s in the document, in the social --

COMMISSIONER McCARTHY: I want to suggest we make it 30.

CHAIR JAMES: Leo?
COMMISSIONER LANNI: When you get to a certain age, you know, that looks like probably a very young age.

CHAIR JAMES: Yes, 21 was. And that is in here now, but I understand it’s over in another section.

COMMISSIONER LANNI: That’s correct.

CHAIR JAMES: It’s in the social document.

COMMISSIONER McCarthy: Regarding the language in the regulatory section, did we hear back from the NIGC regarding the letter that I think the chair signed to --

CHAIR JAMES: Yeah. We’re going to talk -- we’ll have --

COMMISSIONER McCarthy: On the regulatory scheme? Okay. I thought we were going to get to it in this section.

You can if you’d like. Certainly.

DR. KELLY: Commissioner McCarthy, the response we got from the NIGC was that they gave us some aggregate data which --

COMMISSIONER McCarthy: No, not on the audit material, on the last --

DR. KELLY: Oh, I’m sorry.

COMMISSIONER McCarthy: -- set of questions that we said -- there was one set of questions on the core regulatory scheme elements, and then a second set of questions on numbers that we included as well. Do you know the letter I’m referring to?

DR. KELLY: I’m going to have to go back and check on that, because I’m not sure what

COMMISSIONER McCarthy: It says --
DR. KELLY: I’m not sure where we are with that response.

CHAIR JAMES: Doug is not here right now.

COMMISSIONER McCARTHY: Okay.

DR. KELLY: We’ll check on that.

CHAIR JAMES: I’ll ask him to address that tomorrow for you.

COMMISSIONER McCARTHY: That should not have been difficult to be answered. This wasn’t a fight over heavy confidential --

CHAIR JAMES: That was the one we said you could get it off the internet if you sort of -- yeah, you could --

At this point, what I’d like to do, Doug, is to say, Bill, I know you have a substantial amount of time that you’re giving to this and work that you’re going to do on this particular section.

We have the responsibility of going back through and cross checking to make sure, and we’ll be feeding all of that information to you as we identify the recommendations out of the transcript and out of the previous document, to make sure they get transferred in appropriately.

Are there any other issues -- and I hesitate to frame it this way -- that we haven’t discussed about that you’d like to raise in this particular section on regulation? Because there are many that we have raised and we have discussed and they’re not reflected here.

COMMISSIONER LEONE: Well, Jim apparently has a --

COMMISSIONER DOBSON: I do. That’s what we talked about. I will distribute that before the end of the meeting.
COMMISSIONER LEONE: Could I also make a suggestion that when we redo the -- we be inclusive about the recommendations and the language people have submitted? It would be easier to knock it out --

CHAIR JAMES: Right.

COMMISSIONER LEONE: -- if we disagree with it, than to be in this situation. So I’d rather see this bulging with the things that people have put in than --

CHAIR JAMES: That is the direction that staff has given, that everything should be included, and it’s up to the Commissioners if they want to take it out.

COMMISSIONER LEONE: And Bill and I also wonder if after the break we could have a short Executive Session, or before the break.

CHAIR JAMES: Before the break?

COMMISSIONER LEONE: Not to bring the break up, but -- well, the advantage of having it before the break is that the Commissioners are all here. And if we have to wait for the Commissioners to all be here to have an Executive Session after the break, that might be harder.

CHAIR JAMES: I think --

COMMISSIONER LEONE: Just before the break. In other words, five minutes before the break we could --

CHAIR JAMES: Sure. Well, as soon as we finish this session, we will be moving in that direction. I think that’s fine.

Anything else on regulation? If not, then we are, in fact, ready for the break and would probably move toward doing an Executive Session. If not, okay, then we’ll go into Executive Session.
CHAIR JAMES: We don’t have our full contingent back just yet, but I think in the interest of time we will go ahead and get started.

I will say for the record that during our executive session, we did discuss several personnel issues, and that was the purpose of the executive session as called by Commissioner Bible and Leone.