CHAIRPERSON JAMES: Good morning. Welcome to the fifth meeting of the National Gambling Impact Study Commission, and our second site visit. I'd like to call the meeting to order.

My name is Kay James. And on behalf of the Commission I'd like to welcome you. For those of you who are joining us for the first time, this Commission was created by Congress in 1996 to conduct a comprehensive legal and factual study of the social and economic impact of gambling in the United States on governments, communities, businesses and individuals.

The nine members of the Commission were appointed by the President, the Speaker of the House and the Senate Majority Leader. And in June 1999 we will report our findings to the federal, state and Native American Tribal governments.

Previously, we've conducted three meetings in Washington, established an ambitious research agenda
and visited Atlantic City. We're pleased to gather today and tomorrow here in Boston to begin our examination of state lotteries.

Before we get started, I'd like to recognize that Commissioner Leone is on his way, for those commissioners wondering if he will be joining us. He is. He's experiencing a little bit of traveling difficulties, and will be here momentarily.

I want to start this morning by making a very important point. The Commission is not here today to target the Commonwealth of Massachusetts or the Massachusetts Lottery, nor to hold it up as an example of any sort. We are guests of the Commonwealth of Massachusetts and we appreciate your cooperation in hosting this meeting of the Commission.

We are in Boston today to hear and learn from individuals familiar with lottery operations in Massachusetts, as well as individuals familiar with the lottery operations in Georgia, and Ohio and around the country. While we're pleased to be joined by several
lottery directors, I regret that many of our state
government officials the Commission invited were unable
to participate due to a variety of reasons. State
government perspectives are vital to our study, and we
will look for additional opportunities to hear from
them.

We're also here to talk with those who
studied the cost and benefits of state lotteries,
advertising and government regulations, as well as to
those charged with enforcing these
regulations, protecting the public and preventing under
age gambling.

We've chosen Boston because this region has
a number of very aggressive and some would argue
successful lottery games. We're not here today to
consider individual cases or complaints pending
investigations or local political battles, all of which
may be important, but not a part of our specific
congressional charge.
While much of the attention of this Commission and that of both the supporters and opponents of legalized gambling has focused on casino style gambling, it is my belief that state lotteries pose much more difficult questions and problems. As we will hear shortly from our research staff, lotteries are the most wide spread form of gambling in the United States. And they are administered and regulated by governments as monopolies and they offer the lowest, some believe, odds of winning and the highest profits.

As a former state official, I can understand the dilemmas states face and, being involved in so-called entertainment function, their responsibility to protect the public welfare and the dependence of so many state budgets on lottery proceeds.

Charles Clotfelter, one of the foremost researchers in this field, and a witness later this morning, noted in a 1990 article that the only lessons the states are teaching is that government will do
almost anything for the sake of increased revenue, even entice their residents to spend more than they can afford on a lousy bet. That's his quote.

This and potential alternative revenue sources are among the most difficult issues which this Commission is mandated to address. We have begun to address general questions about the impact of gambling, but among the specific questions to state lotteries we must consider, I believe, are the following. In this era of downsizing and right sizing, can continued government involvement in a function like lotteries be justified? Is government regulation, of itself, even possible? Is government competition with other forms of gambling fair? Are funds raised by the lotteries used as they were promised? Are marketing limitations appropriate? Should lotteries run as businesses or as public sector venues, ventures? What contribution does the lottery make to the problem of compulsive gambling?

These are very complex questions, and I think they deserve our attention and our study. We're
here today to frame these questions and others as a part of our ongoing study. We ask these questions not simply as federal officials, but as representatives of the communities in which we live, as citizens, as parents and as taxpayers. And while we are indeed here from the federal government, I'll state at the outset, that some may say with a sense of humor, are we indeed here to help. Well, we are hear to listen, and we are here to ask questions.

Our panels are designed to address some broad questions, who plays, who wins, who loses, how are lotteries run, and what alternatives exist. And can the government regulate itself. Background information on these subjects has been developed by the Commission staff, and will be presented before the panel begins.

In addition, the Commission will begin its study of Native American gaming issues. A later hearing and additional site visits will be devoted to this subject. But while we are here in New England, it
seemed appropriate that we provide an opportunity for Commissioners to visit Foxwoods Resort and Casino. Because of our tight schedule, we are not able to devote a significant amount of time to the casino, but we appreciate the invitation of the Pequot Tribe and their efforts to accommodate us as a commission.

It has been noted that the Foxwoods Resorts and Casino is not representative of all Native American gaming. We are aware of that, and on our site visits, our other site visits, we plan to see various forms of gaming enterprises and various levels of success. Foxwoods is however, by its own advertising, the largest casino in the world, and that alone is reason enough for this Commission's interest. In comparison, not visiting the casino would ultimately, I believe, be detrimental to our overall study.

I want to thank Commissioner Loescher, and Rick Hill of the National Indian Gaming Association for their ongoing assistance and guidance as we look into this issue. I think it helpful for us to remember that
we're not commissioned to question or analyze federal jurisdiction over certain matters or sovereignty of Native American Indian Tribes, just as we are not engaging in this kind of a discussion regarding federal and state relations. Instead, we look at the same issues, relate it to social and economic impacts of gambling upon Native American communities.

We're grateful to those witnesses who are able to join us. In preparing for this meeting, Commission staff invited experts from the private and public sectors, academia, business, and also the treatment community. A number of individuals with some expertise were unable to join us today because of scheduling conflicts, and we're hopeful that their comments will still be included where possible.

Nevertheless, I have to admit that we were disappointed at the lack of relevant and timely research being done by states, think tanks, universities and individuals. Sadly, this is consistent with the overall lack of research in general
about the impact of gambling. A notable exception, however, was brought to our attention by Commissioner Leone and I want to publicly commend the American Academy of Political and Social Science which devoted its March 1998 annual to the subject of the socioeconomic impacts and public policy of gambling. I've asked our staff to provide a copy to each commissioner.

And I know that each of us on this Commission is seeking the most thorough and up to date information and analysis of this very complicated subject. And I would encourage other researchers and organizations to build upon this work. It all cannot be done by this Commission, and what we encourage and look forward to is the work that's being done in that sector.

One of the saddest news stories related to gambling in the past few weeks was the terrible murder of four Connecticut State Lottery employees, including its director Otho Brown. At Commissioner Bible's
request we had invited Mr. Brown to testify and were aware that he was considered a consummate professional and mentor to many involved in this field. While the reason behind this tragedy may never be known, we express our condolences to the families and to the coworkers that were involved.

Finally, before we begin, I want to express my appreciation to the individuals who have provided advice, suggestions, and logistical assistance to the Commission as we prepared for this site visit. I want to particularly thank Sam DePhillipo, the Director of the Massachusetts Lottery, for his efforts in making this visit worthwhile. Other than the extremely cold weather, after having come from the South, our reception here has been quite warm, and we're grateful to the Commission staff and those who assisted them in putting this meeting together.