CHAIRPERSON JAMES: I'm going to interrupt our questioning right now, to welcome here today, we've been joined by the Massachusetts Attorney General Scott Harshbarger. And I thank you for the Herculean effort that I know that you've made to be here. And for being patient and flexible with the scheduling, and it is very much appreciated by this Commission.

Just by way of a little bit of introduction, General Harshbarger has served the State of Massachusetts as Attorney General since 1991. He is the immediate past president of the National Association of Attorneys General. His office recently sponsored and published a study on lottery and youth
access. And the Commission is very eager to hear your remarks. General, welcome.

ATTY. GEN. HARSHBARGER: Thank you very much. I'm honored to have this chance, and I thank you for both accommodating schedules and it was a necessity of being flexible, for those who aren't from Massachusetts. I mean when you're between several saint days of St. Patrick's Day celebration and your name is Harshbarger in Massachusetts you have to try to be flexible, because you have to be in a lot of different places at one time.

But I'm very pleased you're here. And I want to read a prepared testimony. I'd be glad to answer questions and I think it might be best if I did focus on the prepared testimony, because I'm very interested in what you're doing. We're all very pleased, I will say, just as an introduction, that you are in business and operating.

As you know, the Attorneys General have been supporting the creation of the Commission and the
appointments being made for various reasons you've heard, I know you go around the country, from various Attorneys General on a range of issues whether it's Indian gambling, or casino issues. And this is just, to us, so important that there be some kind of an objective overall assessment on where we are in this area. So, I want to just thank you very much, and I appreciate very much your coming here.

As you know, I've been a consistent, and some say chronic, opponent of the expansion of legalized gambling in Massachusetts. Particularly in the area of casino gambling, but also some of the other forms of expansion like Keno. I welcome the opportunity to participate in the Commission's fact finding, because I believe there are important national lessons to be learned from the lottery experience here. After living with its consequences for 26 years, the people of Massachusetts can tell you that the lottery is both a blessing and a curse. For hundreds of thousands of people playing a number is a
harmless, daily entertainment, a lift they count on as
much as a cup of coffee. But for thousands of others
it's a luxury they can't resist and they can't afford,
a corrosive habit that plants the seed for a serious
addiction to gambling. For the state, the lottery is a
painless way to raise $505 each year for every man,
woman and child in Massachusetts, without the political
agony of raising taxes.

When the Commonwealth launched its first
lottery game, no one knew that the Massachusetts
Lottery would become the biggest per capita sweepstakes
business in the nation. With more than 30 games,
including scratch tickets, weekly and daily numbers,
Keno, and Powerball. In a time when no politician of
any party will even talk about raising taxes, the
lottery has become a truly irreplaceable source of
income.

And the story is much the same across the
country. Today, lotteries are one of the largest
generators of government funds, totaling more than
$13.8 billion in revenues. Their advertising budgets alone total more than $300 million. And since most lottery revenue is earmarked for cities and towns, or for education, it's no wonder that the states like Massachusetts have become lottery addicts.

But we need to understand that this is a national addiction with significant social consequences, because lotteries are about more than money. They are about people. And for each wonderful story of a winner, there are thousands of untold stories about losers.

A nationwide survey suggests that, as a percentage of household income, the poor spend four times as much on gambling as people in higher brackets. More simply, the lottery's best customers are those who can least afford to throw their money away.

In Massachusetts, lottery sales outlets saturate working class neighborhoods. The cities with the highest unemployment rates, drop out rates and
adult illiteracy rates are fueling the lottery's never-ending hunger for revenue.

In 1996, The Boston Globe reported that the people of Chelsea spent $915 per capita on lottery tickets. The far wealthier suburb of Weston spent only $63 per capita.

When people with relatively low incomes start spending large amounts on the lottery, it can start a very destructive cycle. The more money you lose, the more you're tempted to bet to make up for it.

At the same time, the state is engaged in a vicious circle that runs the other way. The more money you make with the lottery, the more money you're tempted to make.

When the lottery began in Massachusetts, it was given a fairly extensive advertising budget, because its very reason for being was to increase sales and revenues. The more they advertised, the more
tickets they sold. The more they sold, the more money poured into local aid. The more that localities came to depend on that aid, the more the lottery expanded the games it offered and the places it appeared. The circle closed, and the cycle continues today.

All the while, we ignored the potential social costs. We ignored the fact that our children were playing the lottery. A 1994 sting conducted by my Consumer Protection and Antitrust Division showed that children were able to purchase lottery tickets 80 percent of the time. A 1996 sting found that in 166 attempts children were able to place Keno bets 109 times or a success rate of 66 percent.

And a footnote here, as you will notice that the documents that are coming out in the cigarette, tobacco litigation’s are demonstrating the targeting of kids. This is an almost higher rate of noncompliance with the law in the Keno area than we saw
and were seeing in the area of stings relating to children being able to purchase tobacco. The results were disturbing. We even found that the daughter of one of my prosecutors, a nine year old child, was able to purchase a lottery ticket at a convenient store. In our Keno sting, we discovered that store owners were letting children as young as 14 years old play Keno.

We ignored the fact that more than 90,000 Massachusetts adults had become addicted to gambling. We ignored the fact that individuals were stealing from their families, their friends, neighbors and loved ones, simply for a long shot chance to strike it rich.

No one had ever considered that a lottery with the sole mission of generating money would not be able to regulate itself at the risk of reducing its income. After all, who wants to kill the Golden Goose, even if it's run amok?

When our lawmakers finally slashed the Lottery's advertising budget several years ago, Lottery officials actually entered into a direct mail coupon
arrangement to keep the customers coming. They even
used discount lottery coupons as currency to purchase
advertising services. When the cities and towns
complained about the negative impact the Keno video
lottery was having on their quality of life, the
Lottery suspended Keno licenses, but only until the
unrest subsided.

My point is this, as with any form of
legalized gambling, there are downsides that are
forgotten, ignored, and conveniently overlooked,
tangible and intangible costs in terms of crime, and
corruption, and social costs, including regressive
taxation and compulsive gambling. We never hear about
these when new games or new proposals for gambling are
introduced. The most insidious costs of all, however,
is the values confusion created by the mixed messages
inevitably sent when a state encourages gambling.

We may not be able to turn back the clock,
or turn off the lottery revenue stream, but we can
learn lessons that as a matter of public policy allow us to exercise more thoughtful control over the future impact of lotteries on our states.

Based on our experiences here, there are four suggestions I offer to those grappling with the dilemma of state run gambling.

First, do not under-estimate the grassroots concern about the regressive nature of lotteries and their potential impact on children and a community quality of life. Mechanisms should be established up front to limit the number of ways the state volunteers to separate people from their paychecks. For each new lottery game allowed on the market, an old one should be pulled.

Second, be especially wary of video gambling like Keno and other instant winner games. These games can have a qualitatively different and significant impact on a community's quality of life. Given their highly addictive nature, it's especially disturbing to see video lottery terminals hang from the
ceiling of retail establishments patronized by children and teenagers.

Third, devote large slices of the lottery revenue pie to the effort to combat compulsive gambling. Compulsive gambling hotline numbers should be printed on every lottery game card and every lottery ticket, as should the odds of winning a particular game. From a consumer protection standpoint, it must be made clear to everyone who plays the lottery that a lottery is an adult game of chance with real risks not a painless quick fix that makes dreams come true.

Fourth, and finally, states should make sure that lotteries police themselves as closely as possible in terms of their agents, vendors, investigators and other key personnel, and internal security controls.

Last month in Massachusetts, for example, I'm sure you're aware, a women who spends approximately $100 each week on the lottery claimed to have phoned in
the $21 million jackpot number. But the convenience
store owner claims the winning ticket is his.

    For better or worse, any state that goes
into the business of managing and promoting gambling
should do all it can to set the best possible example
and plan to prevent every possible abuse and
embarrassment.

    Let me conclude by saying that the state by
state debate over the expansion into casinos and slot
machines should be shaped by the cautionary cost-
benefit analysis we've applied to state run lotteries.
In Massachusetts we recently had a debate over a
proposed casino in New Bedford. As you may know, I
have consistently been opposed to any form of expanded
gambling.

    As chief law enforcement officer, I've
stressed over the years the dramatic increases in
crime, corruption, and compulsive gambling that
inevitably will accompany expanded gambling in the
Commonwealth. I've also outlined the serious
regulatory and law enforcement structures that would be
needed to oversee a casino, and the costs needed to
establish and operate these structures. In particular,
I've warned about the broken promises made to other
states by the casino industry, in term of jobs, and tax
revenue projections. And I have expressed my belief
that the Commonwealth should strive for real economic
development policies rather than policies that simply
redistribute income into the hands of out of state
casino owners.

I've said time and again, that before we
make any decisions about expanded gambling, we need
more objective information about its impact, good and
bad. And I applaud this Commission's clear commitment
to just that, to learn these lessons and bring them
into the national policy debate. My hope is that
through your work you will be able to make an informed
policy decisions about all forms of gambling, and not
find ourselves holding hearings five, ten to 25 years
from now, to try to figure out how to close a Pandora's Box of rabid state sanctioned gambling.

People need the chance to step back and make informed decisions. The more objective the information and real life lessons you can inject into this process the better. Otherwise the way it happens is the way it happened here, and will happen in many places. Which is, that promises will be made to communities that desperately need the revenue, or searching for alternatives as ways to cope with economic problems, and promises are made that under any consumer protection set of regulations would be demonstrably false and could not be proven. But you never learn about the costs until after the casino or the expansion is in place. And then the pressure exists to avoid closing it down.

Our goal has been to try and make sure that people saw the costs at the same time they look at the benefits, so public policy discussion can be based on
costs as well as benefits and not solely on promises by those who have a vested interest in its success. People do need this chance to step back and look at these decisions objectively. But looking at both sides of the gambling ledger is the only way the public will have the opportunity to strike the appropriate balance between the need for government revenue and the responsibility to protect the quality of life for this and for future generations.

Thank you very much.

CHAIRPERSON JAMES: Thank you, General Harshbarger.