CHAIRPERSON JAMES: Questions? I'm going
to start down this way, this time.

Commissioner McCarthy.

COMMISSIONER McCARTHY: General, first of
all I noticed the color of your tie, and I find it
cheerful. And I realize it's also for purposes of
survival in your state, that you're wearing that. Just
looking around the membership of the Commission and I
see that they get a pass today because it's March 16th,
but tomorrow, I certainly hope to see a lot more green
than is in evidence today.

CHAIRPERSON JAMES: We would expect nothing
less from you, Commissioner McCarthy.

COMMISSIONER McCARTHY: Thank you.

You said in your testimony, did I
understand you correctly, there are 90,000 citizens of
Massachusetts addicted to the lotteries?

ATTY. GEN. HARSHBARGER: It is the
compulsive gamblers. The statistics that I got.
COMMISSIONER McCARTHY: Compulsive gamblers. Where did that come from?

ATTY. GEN. HARSHBARGER: First of all, I think you may hear from the Commission on Compulsive Gambling here that exists in Massachusetts. And the numbers that were generated by various surveys and I don't know if Dr. Shaffer and others were part of the various surveys, but these estimates are based on surveys done.

And Angela, do we know the number, where exactly that came from.

This is Angela Lee, Assistant Attorney General in my office. I've used it enough times now. This is the National Institute of Mental Health study on that percentage. But we've also, and it's also been, they continue to do surveys here, yes.

COMMISSIONER McCARTHY: Thank you.

Dr. Steinberg, did you, are you acquainted with those figures?
DR. STEINBERG: Well, I was just going to add that they came from a state sanctioned survey of the entire population, adult population of Massachusetts. A number of these surveys have been conducted either under National Institute of Mental Health auspices or state auspices and that's the projection from the percentage of problem gamblers that were determined by these telephone surveys.

COMMISSIONER McCARTHY: It would be helpful, I think, if we could get a copy of that survey.

To President Paul, how many states do that kind of study? Are you aware that, how many, we've been looking at other forms of legalized gambling, you know, how many pathological gambling problems, severe problem gamblers are produced by those forms of gambling? We're starting to look more closely at lotteries now. Are you aware, as the head of all of the state regulators in the lottery industry, how many states have done studies to try to determine in
scholarly objective ways, how many pathological or serious problem gamblers there are that are created by their addiction to lottery gambling?

MS. PAUL: Sir, I believe in general that's something that's dictated by each legislature. Because they determine how every lottery dollar is spent. Some legislative bodies have done that either through lottery dollars or through other dollars, that they be more necessary. I believe that type of research exists in most lottery states.

COMMISSIONER McCARTHY: Do you have a list of those? Does your organization compile lists of research done on the social and economic affects of lotteries?

MS. PAUL: We do have some of that research, sir.

COMMISSIONER McCARTHY: Thank you.

CHAIRPERSON JAMES: Please, did you want to respond to it.
DR. STEINBERG: I was just going to add that I don't have the specifics either, but I think that there, of the states that have a lottery, fewer have conducted statewide surveys of problem gambling than have conducted it. So I would disagree that most states that have lotteries have conducted state sponsored surveys of problem gambling.

CHAIRPERSON JAMES: Well, we will certainly ask the staff in conjunction with you, to see if we can ferret that out.

Commissioner Bible.

COMMISSIONER BIBLE: A question for General Harshbarger. I suppose if I walked outside today, I could probably get a computer and engage in gaming over the Internet in the Commonwealth of Massachusetts. Is that legal in the state of Massachusetts?

ATTY. GEN. HARBHARGER: I just missed the last part.

COMMISSIONER BIBLE: If I went outside today, and hooked up to the Internet, and gambled on
the Internet, would that be a legal activity in the state of Massachusetts?

ATTY. GEN. HARSHBARGER: We say it's not.

COMMISSIONER BIBLE: Have you taken any action against any of the people who are exposed to these things?

ATTY. GEN. HARSHBARGER: We are at this point, I think we did two things. One was the National Association of Attorneys General, you're probably aware with the telephone issue that that violated our laws. And we've also taken that of a very aggressive task force effort on the Internet gambling at this point. I don't believe we have any actions. Do we have any actions on those? We've signed on joining the Attorneys General in, to outlaw it specifically.

But it was one of the questions I was asked at our hearings when we were opposing the casinos in the legislature. And the Internet issue is: has the potential to make all this just pale by comparison in terms of state, the effect of state laws and the
ability to regulate at this level. We think we can do it on the telephone, but we're sure, the Internet is going to be tricky.

I mean this is why I think, we took the position with Attorney General Reno and we do each year, that this is why national enforcement policies and national legislation is going to become crucial in this area because it's going to be very hard on a state by state basis to stay up with this. We have these same issues now with telemarketing and other kinds of things. We oppose it, but we have not brought actions against people. We've done it in mail order or Internet use for alcohol, or for tobacco and that kind of thing, and we would if we can get the evidence, we'll bring an action and see what happens.

CHAIRPERSON JAMES: Commissioner Loescher.

COMMISSIONER LOESCHER: Yes, Madam Chairman, I have a couple of questions.

Thank you very much for your being here. I'm interested in your role in the Association of
Attorney Generals across the United States. That Association has taken some very hard positions against Native American gaming. And I wanted to ask you a couple of questions.

One is, do you believe that state gaming and lotteries should be regulated under the Interstate Commerce clause of the Federal Constitution?

ATTY. GEN. HARSHBARGER: Do I think state-

COMMISSIONER LOESCHER: Interstate Commerce clause.

ATTY. GEN. HARSHBARGER: Should regulate the state?

COMMISSIONER LOESCHER: Yes. Could it or should it be regulated under the Interstate Commerce clause of the United States Constitution?

ATTY. GEN. HARSHBARGER: I don't have an opinion on that, I'd have to check that. There are very few things I haven't taken an opinion on. Usually I often don't have much information to base my opinion
on. But I'd take an opinion. I don't think I have an opinion on this one.

COMMISSIONER LOESCHER: Okay, thank you. The other question, Madam Chairman I have is that the sovereignty of the State of Massachusetts and the sovereignty of other states is important in, especially in this area of gaming. The states have stood behind the notion that they should regulate gaming within a state governance system.

Native American Tribes feel like they have same rights, yet the states Attorney Generals have joined together and challenged those rights in the last several years.

One of the charges of this Commission is to look at alternative financing for gaming revenues of the Native American Tribes, and why shouldn't that same statutory requirement be placed upon state governments as well?

ATTY. GEN. HARSHBARGER: Well, I mean, it's a fair comment. Let me just give my perspective on
this. Doug Wilkins from my office will be here to talk
later today on specifics, on Indian gambling. And as
you know, or you may not know, in this state my view is
that, has been that law is precluding the, right now,
the establishing of casinos here in terms of the
Indian, Native American Sovereignty and the Tribal Act,
several of the Settlement Acts. I have not challenged,
at least in Massachusetts the Indian gaming, the
sovereignty. The question is where can those casinos
be and who has to approve them. Our position simply
has been that the governor and the legislature must
approve any compact in Massachusetts and a change in
the law on gambling.

So there's one level where ours has been a
legal judgement. I have taken a policy position. But
as on the matter of law, it is our view simply that in
Massachusetts the legislature and the governor must
approve. The legislature must pass the laws, the
governor can't do it independently. And there's been,
there's dispute about that, I want to make that clear.
But the argument, this is the issue in Massachusetts on this.

The other point about it has been, with all due respect, that the 250 lobbyists who sit in the Gardner Auditorium every year when we're debating the expansion of gambling, are not there to root home Native American rights. I mean they're hoping that the casino will be approved for New Bedford or Fall River, so that it will be the opening wedge to adding slot machines for the race tracks, three or four other cities will seek gambling because they will say well now that the Wampanoags have it, we ought to have it. So I think that what happens here that is being utilized in that form, from my perspective. And the legislatures generally agreed with that.

On the other hand, I believe, and you can ask others, I'm sure you've talked with other Attorneys General who deal with this much more than we do. In the discussions that I've heard, whether it is Attorney General Udall in New Mexico, or Attorney General
Humphrey in Minnesota, or Attorney General Lundgren out in California, or others who are dealing with this issue, one of biggest concerns has been the lack of federal enforcement in these states. The concern has been that what happens if the federal government doesn't enforce, then the pressure comes on the state to catch up. It's that issue as opposed to, you know, the general question of the preemption rights. I mean Attorney Generals have always asserted state's rights in these areas in terms of preemption.

But a lot of it has been, not only the concern with Native American rights, it has been that the result is a lack of effective overall enforcement and that it drives public policy. That is what happens here with the tribe getting in it will drive state policy and that's what the concern is.

But there are others who can give you, Mr. Doug Wilkins will be glad to give you our position exactly on existing litigation here in Massachusetts.
COMMISSIONER LOESCHER: Madam Chairman, one other question for this panel to Rebecca Paul and maybe to Dr. Steinberg.

The Commission is challenged by a lot of people in America who are saying that lotteries and other forms of gambling are immoral and impact the worst part of human behavior and that there is a cost to this to state and local government. And one of the things, Rebecca, your testimony talked just briefly about the investment that states make to deal with behavioral gambling disorders is quite low. Given that you're the president of the North American Association of State and Provincial Lotteries, do you see any evidence across the country and in Canada that there is a willingness to invest a part of those dollars that the lotteries have in trying to correct human behavior disorders and try to help the community in that regard?

MS. PAUL: Sir, as I indicated to you earlier, each of us work for and are part of a state government structure. How our budgets are divided are
determined by elected public policy makers. Certainly we are concerned as an industry about any social impact that what we do might have on any number of individuals. There are things that we can and do do without monetary expenditures such as printing 1-800 hotline numbers on the back of lottery tickets, producing public service announcements, some of those types of things.

When you get to dollars in large amounts contributed to treatment programs those are decisions that must be made by the elected officials that we report to. So those decisions are made by those people, as opposed to us. As an industry, yes, we're concerned. And yes we believe that we have a responsibility to do all that we can within our power to actually take lottery dollars and put them into treatment programs are things that we don't have the authority to do.

CHAIRPERSON JAMES: Dr. Steinberg, would you like to answer that?
DR. STEINBERG: Yes. There certainly has been a major change in the thinking at lottery headquarters across the country. Unfortunately that change is not significant enough. Just to give you an anecdote from the past, about thirteen years ago I used to debate the lottery director on television as to whether the lottery was gambling.

When we advocated for a treatment program in Connecticut, and in Connecticut we had the second publicly funded treatment program in the nation. The only way the legislation got passed in 1981 in Connecticut was a special new tax on the parimutuels. So the revenue was not tapped from the parimutuels or the lottery. The legislators and the lottery did not support the use of lottery dollars.

The reason I'm giving you this ancient history is because I don't think it's ancient history in some of the lotteries that exist today across the country. And I do think that Ms. Paul's organization
needs to make this a priority and change the mindset across the board.

I realize that each lottery is independent, and each legislature oversees the lotteries. But I think that there is a lot more that can be done and should be done. And I think that this body by its deliberations and report can influence the state legislatures to take more responsibility in this area.

CHAIRPERSON JAMES: Commissioner Dobson.

COMMISSIONER DOBSON: I'd like to go back to the previous testimony of Dr. Clotfelter. If I understood Ms. Paul's testimony, she indicated that there are more lottery outlets in convenience stores in urban areas because that's where the people are. Have you seen any indication at all that there is more aggressive advertisement and placement of lottery outlets by state lotteries in urban areas and low income areas? Do you see any indication that there is an effort to exploit the desperation of the poor?
DR. CLOTFELTER: There have been a couple
of allegations along those lines. And one that we
mentioned in our book is probably pretty old by now,
and it did happen in the State of Illinois. So there
have been some situations like that, but it's not my
impression that it is widespread or necessarily
aggressive. It's an attempt to raise revenues and one
of the things you do if you want to sell the most
tickets you can is advertise where you think your
customers are going to be.

COMMISSIONER DOBSON: Including
disproportionately in poor areas?

DR. CLOTFELTER: There are probably a
disproportionate number of outlets in areas that have
lower income because those tend to be working
districts. So that, there are more offices and that's
one reason why there might be more outlets in areas
that have lower income.

COMMISSIONER DOBSON: Conversely, and this
is the end of the question, conversely, there
apparently does not seem to be sensitivity to the
exploitation of the poor by protecting them in terms of
advertisement and placement of outlets?

DR. CLOTFEISTER: I would, now I'm just
imagining, but if I were running a lottery I would not
want to be seen as exploiting the poor. So my guess is
that in policy circles in lottery agencies nobody wants
to look like they are exploiting the poor. And in the
case, the Illinois case there was a billboard that said
how to get from Washington Street to Easy Street, play
the Illinois Lottery. Washington Street happens to be
a big thoroughfare in Chicago's predominately minority,
poor area. And locals did take offense at that. And
it was not what you would want to have happen because
of the interpretation.

CHAIRPERSON JAMES: Dr. Steinberg, and then
we'll come back again.

DR. STEINBERG: Yes, I don't have specific
information on that point, but the relevant issue for
me is that the lotteries do not look at the fine points
in information that is communicated to the public. For example, and I would guess that this might apply elsewhere, in Connecticut in the last statewide survey of lottery involvement sponsored by the state, they found that the income between $25,000 and $40,000, those folks were the ones that bought lottery tickets. The highest percentage came from that income group. However, just as evident in the tables is the fact that below an income of $25,000 a year there is evidence that with decreasing income there is a higher percentage of income spent on the lottery. That to me is a very significant fact, and it is not a fact that the Connecticut lottery chose to tell the public. Now, it didn't hide it from the public, it's in the table. So what I'm saying is, I think we need to have concern and all of the data that's generated from these reports, reported and highlighted by the responsible segment of the government.
CHAIRPERSON JAMES: Thank you. I have a question for Ms. Paul, and then I will come back and recognize some of the other commissioners. Sometimes I forget to call on myself for a question.

I was very interested in how Georgia uses the money and that it is truly earmarked as opposed to how some other states conduct that. And my question was, when the lottery was instituted in Georgia did you do it that way from the beginning or was there a transition period when you had to move from general fund to earmarked funds.

MS. PAUL: Georgia has the advantage of being one of the newest lotteries in the nation. The Governor ran on a platform to bring a lottery to Georgia in 1990. The referendum passed in '92 and the lottery began in '93. Written into the enabling legislation as law was that these were the only three programs on which lottery dollars could be spent.

There is a debate going on in our legislature in the last day of our legislative session
which is tomorrow, that would put on the ballot this
coming November similar language to take it from our
enabling legislation to the Constitution. So that the
Constitution of Georgia would say lottery dollars may
only be spent on HOPE Scholarships, pre kindergarten
programs and computer technology.

There are many things that happen in the
lottery industry, one of which is states learn from
other state's prior mistakes in any one of a number of
assertive ways. And certainly I think Georgia's
earmarking is because the timeframe under which the
Georgia lottery began.

CHAIRPERSON JAMES: Yes, it would seem to
me that it is awfully difficult to get the genie back
in the bottle once it's out. And so, I was very
interested if you had been able to do that, but it
sounds like you started that way.

I saw some hands down here. Let's go to
our newest commissioner who has joined us this morning,
Commissioner Leone, and then I will come back.
COMMISSIONER LEONE: I apologize, I was enjoying the joys of non-competitive deregulated airline travel.

And actually, I have a question for Professor Clotfelter. I missed the testimony and you may have covered this. But I have read your material and articles. And there are a couple of questions that occur to me.

One has to do with rational choice and informed consumers and some of the conditions necessary for an efficient market. We in other markets require extensive disclosure for a variety of reasons, but we also require labeling and a variety of other things in the hope that that will enable consumers to make informed choices which is necessary if the market is going to work efficiently. Have you ever looked at the economics in lotteries in those terms?

DR. CLOTFELTER: We did think about this from a number of perspectives. As you know, labeling is a big issue in consumer economics. And in food, for
example, labeling is much more extensive than it used to be.

For the product called state lotteries there's an interesting contrast in the laws that apply to that product versus the laws that apply to sweepstakes, for example. If you are McDonalds and you're running a sweepstakes, you have got to post at each store the odds of winning each of the various levels of prizes and the numbers of those available. And the states have not similarly put that restriction on themselves.

And in fact, we did a fair amount of study, which is really out of bounds, most economists don't want to get this close to the data. But what we did, we asked a number of the large lotteries to send us television and radio ads, we viewed these. We looked at things about how often the odds were shown and how often the prize distribution was given, it's admittedly pretty hard to give the whole prize distribution on a television ad. But what you did see is that if a prize
was mentioned it was always the top prize. If a probability was given it was always the probability of winning any prize, and most often they were not given at all.

And finally, we did have a group of TV ads many of which are just delightful to watch, they are very fun to watch, of a group of about fifty some-odd that had players or past players, two thirds of those showed somebody winning the lottery, and that does not correspond even closely to the true probabilities.

So in answer to that, the information is not available in most cases. You could go further and say, what if it were. The odds that we're talking about are so infinitesimal that the psychologists who have studied small probability events say that most people's minds just boggle anyway, and they have really no way to conceptualize what 1 in 13 million means. So that they use other tricks to tell themselves whether this is a reasonable probability. And two psychologists named Dversky and Kahneman have come
across in various studies to show that one way that we
deal with things that are very small probability events
is do we know of a case in which that has ever
happened. So if in your advertising you show people
that it happens, then that's a way to increase at least
their subjective probability.

Is that responsive to your question?

COMMISSIONER LEONE: Yes, it is. But there
are a couple of other issues about disclosure and
information that I think about.

One is, in other areas we insist on the
provision of the number of the present value of a
stream of future payments, or conversely that stream of
future payments if it's mortgage on the other side.
People do understand that they're going to win a
million dollar lottery prize, which is paid out at
$50,000 a year conventionally in most lotteries. Which
of course means the present value of that prize is
considerably smaller then a million dollars. And that
information is quite different from figuring the odds
of 13 million to 1. I think most Americans would understand that they were in fact getting something considerably less than what was advertised if the advertising reflected the net present value of that future income stream.

I know that in other kinds of investments it is a requirement that that sort of information be, we do a variety of things in other investments to ensure that people understand what they're getting into.

I don't suppose you ever came across anything like that? I've never seen anything like that in the lottery area.

DR. CLOTFELTER: There are two ways in which the jackpots really do overstate the present values. One is of course, it's a summation of the twenty annual payments. And so it's not the present value. And the other is that there are taxes applied to lottery winnings. And in the case of federal income taxes they can be pretty high because if you're a big
winner you're in a top bracket. So if you wanted to
give something more comparable to what our banks tell
us the effective annual yield is, you would at least
want to put it in present value terms.

CHAIRPERSON JAMES: Commissioner Wilhelm.

COMMISSIONER WILHELM: I'm glad the
Attorney General was able to join us, I'm sorry he had
to leave. I would ask the Commission staff if they
could attempt to determine from the Attorney General or
from somebody else in the state, perhaps the State
Treasurer, if with respect to this alleged elimination
or dramatic reduction in advertising, the advertising
budget of the Massachusetts Lottery whether in fact
that reduction was effectuated or whether it was
circumvented as was implied by part of his testimony.

And in connection with that, what impact
there was during period of reduced advertising revenue
on, I'm sorry, reduced advertising expenditure, what
impact there was on their revenues of the Massachusetts
Lottery. I would be interested to know if there was a relationship.

And then, in his absence, I want to make two observations that I had hoped to ask in the form of questions. And I don't know if any of the other panel members would care to comment on either of these. I want to say to the Chair and the staff, I think this is an extraordinarily useful panel, and I appreciate all of your participation as well as the fact that the group was assembled.

First, with respect to this issue about whether or not the lottery or other forms of gambling prey in some improper way on poor people. I understand the issue, and I'm not unsympathetic to the issue. I do think we have to be extremely careful with it though because, and I would separate the behavior of most people from the behavior of people who have a compulsive gambling disease or addiction.

With respect to the behavior of most people, I don't know that it is a sound for the
Commission at least, or anyone else for that matter, to sort of make an argument that we know better than people who may be in a lower economic rungs of society, what's the smart way for them to spend money.

If a person is in a life situation where the likelihood of them ever having $500 or a $1,000 let alone $50,000 in their hand is nil, I don't think it's appropriate for someone like myself who has the good fortune to have a better income than that to say well you shouldn't spend a buck or five bucks or whatever it is you choose to spend, in the hopes of getting that kind of a financial reward. Because if that person had no other possibility of getting it, I think that's their decision not ours. And again, I would distinguish that from people who do have a disease.

So I think we need to be very careful not to be telling people who are perfectly capable of determining what is in their own best interest, what we think is in their best interest.

The other question I really wanted to ask--
CHAIRPERSON JAMES: John, before you move on, could we just talk about that one a little bit.

COMMISSIONER WILHELM: Certainly.

CHAIRPERSON JAMES: I know that Dick wanted to jump in, and I guess my only concern on that point would be that of course poor people are entirely capable of making their own decisions and life choices, given accurate information. Which is why we get to the point of whether or not accurate information is given through the advertising, whether or not they really understand the issue of present value of the future income streams, whether or not the advertising is particularly targeting and selling a false hope in terms of what are the chances of your getting that $1,000.

COMMISSIONER WILHELM: You know, I lived for 24 years in poor and working class neighborhoods in New Haven, Connecticut. And you know, before the lottery came along, large proportions of the people played the numbers. Now I'm not prepared to reach the
conclusion that they're all stupid. The local numbers runners didn't publish charts of, you know, what the return was going to be. And I'm really not trying to be funny, that's the truth.

And to the extent that the lottery may have reduced, somebody argued earlier, or eliminated the numbers business, that's an interesting claim, but you know, I don't think people necessarily need charts of mathematical probability to know what the realities are.

It's just a personal opinion.

CHAIRPERSON JAMES: Yes, I would agree.

I'll turn it over to Dick Leone.

COMMISSIONER LEONE: Well, I'll just say, John, the fact that people make unwise choices and that you would have to be unduly obtrusive to prevent them from making unwise choices does not mean that therefore, the government ought to exploit the opportunities that are presented by their unwise choices. Or that the society can't insist, indeed go
to very great lengths, as we do in many, many other areas on the information being available.

You know, one of my irrational concerns is that this hair is leaving. And I am aware that there are a great many products that promise to take care of that problem. But we have very strict rules about what you can say or not say about whether or not a product can grow hair.

We have rules about a wide variety of things that require disclosure and indeed we do that for moral grounds, we do it for economic grounds, because we believe that economic efficiency requires knowledgeable consumers. And I think that doesn't mean there's not human weakness or human irrationality or that sometimes people don't particularly at certain stages of their life do things that are relatively self destructive. But for the government to decide that it's going to, and I think to be the worst participant in this whole array of gambling activities, decide it's going to exploit the most irrational acts of
gambling and provide the least information about how
this money is spent raises a lot of questions.

I think we hold government to a higher
standard on just about everything, you know, and I
don't know why we wouldn't in this area.

COMMISSIONER WILHELM: I don't disagree
with either one of your points, with respect to
exploitation, by which I presume you mean in particular
advertising not with respect to disclosure. I was
trying to make the relatively more narrow point,
however, that I don't believe it can be demonstrated
that non-compulsive participation in the lottery, even
by very poor people is necessarily an irrational
behavior, compared to the possibility of achieving the
same rewards through other methods that are not
available. I agree with both of those points.

Can I do my other point, or we're going to
go along with this one?
CHAIRPERSON JAMES: Why don't we let you finish up and then I will come over to Commissioner Lanni.

COMMISSIONER WILHELM: The other thing which I really had hoped to ask as a question to the Attorney General is this. And I confess up front, as I have in the past, to a bias in favor of activities that generate or at least have the potential to generate quality jobs as opposed to those that don't. And in my own mind I would put lotteries in the latter category as distinguished from casinos which at least in some circumstances, particularly when they're unionized, belong in the former category.

CHAIRPERSON JAMES: Go figure.

COMMISSIONER WILHELM: But, one of the reasons that I really thought Massachusetts was interesting is I'm interested in a state where the populace as a whole gambles on the average a great deal compared to many other states. And which has as a result of the political process the Attorney General
referred to, has decided at least thus far to prohibit
the Native American casino that was proposed here that
Commissioner Loescher referred to. But at the same
time appears to me to be rushing down the trail as fast
as any that I'm familiar with, with the possible
exception of California toward having what amounts to
lottery originated virtual casinos.

And I'm really puzzled by that. I don't
understand, and I really wish the Attorney General was
here and I don't know if anybody else knows the answer
to this. But I'm really puzzled by a state that says
absolutely not to one form of gambling that does at
least create, or can at least create decent jobs. And
then appears to be rushing toward another form of, you
know, Keno every five minutes all over the state in
stores and bars and everything else to me is part way
down the road toward state sponsored virtual casinos.
And I don't get it. That would have been a question if
the Attorney General was still here.
CHAIRPERSON JAMES: Why don't we submit that question to him in writing and see if he will respond, and we will ask the staff to get an answer from him for the Commission.

COMMISSIONER LANNI: I think if I'm not mistaken, Deputy Attorney General Lee is still in the room, is that correct? I think she is. So maybe she could carry these questions, because I have some questions also of General Harshbarger, who is obviously off to a German-Irish friendship lunch that I reserved.

And I think we probably should further investigate the neutrality of Ireland during World War II as we note the General's green tie. My mother was half Irish, so we probably won't have a thorough investigation.

(Laughter)

COMMISSIONER LANNI: The General had indicated there was a nationwide survey that suggested that a substantive percentage of household income,
people in lower levels, was four times as prevalent to
game as in the lottery, I think was the reference here
then other individuals at higher incomes. I would
think it would be helpful for this Commission to
receive a copy of that survey. Unfortunately many
instances when we all are giving speeches we gather
information together and we throw away that doesn't
support our cause and keep the ones that do. And I
think we should take a look at that and see the basis
of that.

MS. LEE: Well actually it was a study
conducted by a panel member Clotfelter, and with Philip
Cook. And he had read it in Bob Goodman's book called
The Luck Business.

COMMISSIONER LANNI: Right. Then if we
could have a copy of that survey so that we could
study, because I don't think we've seen that, that
would be helpful.
I also had a question of the General, if he were here, and I will ask you Deputy Attorney General, you're Deputy Attorney General?

MS. LEE: Assistant Attorney General.

COMMISSIONER LANNI: You had a sting operation on two different occasions that were conducted under the auspices of the Attorney General's office. I'd be interested in knowing the results of that, was action taken by your office relative to these individuals and what were the results?

MS. LEE: I'd have to refer, I would have to get the answer for you.

COMMISSIONER LANNI: Okay, that would be important to me, because I seen that in many instances also, people sometimes go to their polls and see how their public ratings are as a result of those things rather than results. Because it was pretty obvious that those are pretty egregious issues that needed to be dealt with.
I also noticed that in the written report that was submitted by the Attorney General he had five suggestions. He removed one of those for the proposal here, and I was wondering why his first proposal in the written document submitted to the Commission was not annunciated in his oral presentation?

CHAIRPERSON JAMES: For the benefit of those who may not have that, would you share it?

COMMISSIONER LANNI: It just, and it may pertain to the fact that it's purely a state issue in the Commonwealth of Massachusetts.

The first proposal he had in writing was First, lotteries cannot be responsible for regulating themselves. Critical decisions including such issues as game expansion, siting and advertising should be closely and regularly monitored by a separate and independent state agency with citizen participation and input. I was just wondering why he excluded that from the recommendations that he gave?
MS. LEE: That was a draft version of the testimony. And the Attorney Dolan had reviewed it and decided that that was not necessary, since we do have a lottery commission.

COMMISSIONER LANNI: Sure. And he's certainly welcome to that, but the document that was presented to me indicates it's prepared testimony. So the record I guess will note that that was a draft.

There was also a reference by the Attorney General that casinos lead to increased crime. I'd be very interested in knowing what factual basis, he did indicate that he has opinions sometimes without necessarily being based on fact?

MS. LEE: In 1996, he had released a report on the increased cost of gambling, and I can submit that to you this afternoon. Once Doug Wilkins comes here I'll make sure that he brings copies of his report.

COMMISSIONER LANNI: That would be helpful.

And one last question on that subject.
Do you know if in those studies and in that particular report if it's in an area where there is a fair amount of visitor population, are the determining factors relative to crime based upon the population of the particular area or does it take into account the visitor base?

MS. LEE: That I would have to submit to you.

COMMISSIONER LANNI: If you would, that would be helpful.

And one last question, if I may, of Ms. Paul. I was wondering, and possibly Dr. Clotfelter.

Referencing the issue of the charts, the pie graphs, and charts that were represented to us, there was an indication showing aspects relative to income levels, gender, areas relative to ethnicity, and education. That was specifically, I think, relating to the state of Georgia.

My question is, would you find or maybe Dr. Clotfelter would answer this, would you find that to be
generally the same in the 37 states, the District of
Columbia and the six Canadian provinces in which gaming
takes place from a lottery standpoint?

MS. PAUL: Well first of all, sir, it's
even more narrow than Georgia, it was the Atlanta metro
area. The reason it was narrowed to the Atlanta metro
area is because it was research done by the Atlanta
Journal Constitution, the major newspaper in the state
of Georgia. So they narrowed it to that arena.

In general, the research that I have seen
and this will be very, very general, the lottery
players primarily mirror the population of a state, if
ten percent of your state is Hispanic, ten percent of
your players will be. If ten percent of your state has
a household income of $35,000 to $45,000 a year, ten
percent of your players will be. If ten percent of the
population is between 50 and 60, ten percent of your
players will be. And as you look at that it will
pretty much mirror the population of the state with
three exceptions. There are three groups who generally
do not play the lottery. The very, very rich, the
very, very poor, and 18 to 22 year olds.

COMMISSIONER LANNI: If I may also, I'd
like to add a compliment to this panel. I think it was
excellent. I firmly believe it was well balanced, and
thank you for taking the time to do it.

And Ms. Lee thank you for filling in for
the Attorney General as capably as you have.

CHAIRPERSON JAMES: Commissioner Bible.

COMMISSIONER BIBLE: Ms. Paul, Dr.
Steinberg in his testimony indicated that when you
survey adolescents and I believe you're talking about
16 and 17 year olds, that 30 to 35 percent indicate
that they've played the lottery. Are there a large
number of disputes involving individuals that are in
this age group claiming prizes that they're not
entitled to?

MS. PAUL: Well, sir, each state is very
different, and I think Dr. Steinberg was talking about
specifically Connecticut. Every state requires that
you must be 18 to purchase a ticket except for Iowa, and Iowa mandates that you be at least 21. Most states allow for the gift of a lottery ticket to someone, so therefore a claimant could be under the age of 18 without having purchased that ticket.

However, any problem such as adolescent gaming is something that we as an industry take very seriously. We have looked at what other states are doing and tried to share that information. Massachusetts, in relationship to some of the findings, has a very aggressive program with three strikes and your out at a retailer location if they sell tickets to minors. And you have the chance to talk to Mr. DePhillipo tomorrow about some of the things Massachusetts has done in a way of addressing some of those issues.

COMMISSIONER BIBLE: Do any jurisdictions require video surveillance over the lottery issuing devices?
MS. PAUL: Illinois, Florida and Georgia do not. I am not aware of that much detail of the other jurisdictions.

CHAIRPERSON JAMES: Any other questions from Commissioners? Commissioner Moore.

COMMISSIONER MOORE: I would just like to make the suggestion along the lines that we've already heard. I think that the reason that we think that the poor are targeted, I believe that President Paul says that a lot of these stores, convenience stores, would go under perhaps if it was not for selling lottery tickets. I think that you'll have a lot of those stores of that nature, and I think a lot of those places will be in the poor section of town.

Reading about Massachusetts in the material that we had, I believe that they said there were 64 agents as I remember in a mile and half distance. Now you would be criticized if you were the one that was giving these people licenses if you turned down a lot
of them. Because then you would be criticized for not
letting them be agents.

Another thing along these lines, you know, if you want to be a little cynical and all, if a store
is just operating to sell lottery tickets, maybe that store ought to close. But on the other hand, we can
take it another way, maybe we do get most of the money out of the poor we'll say, or a lot of the money from
the poor that should not be playing.

But you know, I had an old friend one time who said, and I think that states are taking advantage
of this thing, you know our forefathers came to this country, they said, because that they had taxation
without representation. A lot of states and a lot of people are realizing now that there's a lot of
representation there in government by those people who are not paying any taxation. So it's a little in
reverse. In other words, if they had taxation without representation, and this is a way to get some taxation
out of people that they claim or say do not pay much
tax otherwise. So I think that that is a point. I think that the poor ought not necessarily be targeted, but that's the way it works.

CHAIRPERSON JAMES: Commissioner Loescher and I may have a little bit of a disagreement with you on how our forefathers got here, but that's okay. That's for another day.

Dr. Steinberg.

DR. STEINBERG: I'd like to make two points. One is that the spread of video type gambling, whether it's Keno or poker or approximation of a regular slot machine, throughout a community is dangerous. I think that it is clear that video slot machines, or video Poker in casinos have taken over a larger percent of the market, the profits and it's good entertainment. However, we see an increasing number of addicts, of gambling addicts who have problems with those kinds of machines.

When New York State adopted video Keno, Donald Trump for whatever his motivation, was quoted
extensively in the New York newspapers as saying, that this was going to be very dangerous to the citizens of the state. Now I couldn't understand that logically because similar type games, video type games existed in the casinos. But if he was talking about the widespread availability of those kinds of games throughout a community, I think that that is a different level and it's a place that the lottery does not need to go.

The second point I'd like to make is that I have been asked, and in fact this week, will make a presentation to a company in Connecticut who has asked me to talk to their managers of various convenience stores, because the managers are very concerned that their employees are developing gambling problems. Partly because of proximity to casinos, but even more so because they are developing problems with lottery problems because of the accessibility to the lottery terminals themselves.
Now that's just an objective statement, I haven't met with those folks yet. But there is concern about the lottery that's increasing that I didn't hear before, as the games proliferate I think we're going to a new level.

CHAIRPERSON JAMES: Thank you. Any other questions for this panel?

It has been a very engaging conversation. I think it's been very instructive and I would like to thank the panel members for their participation. I'm sure that as you leave this morning you may think of other data that may be helpful to this Commission. And I would ask that you feel the freedom throughout the entire existence of this Commission to continue to submit information, research and data that you think we should consider as we look at these important issues.

And I do want to thank you for your participation and for how you have contributed to the public debate on this very important subject.
With that, I'd like to, before we move or break for lunch, to let the Commission and the audience know that we have a couple of pieces of business that we need to take care of concerning contracts and concerning RFPs which are confidential in nature. And under advice of counsel that should be done in a closed session because you just don't discuss contracts and RFPs in open public session. And so, I'd be happy to entertain a motion from someone at this point that the Commission move into a closed session to discuss those issues and those issues only.

COMMISSIONER McCARTHY: Moved.

CHAIRPERSON JAMES: Thank you. Can I get a second.

COMMISSIONER LEONE: Second.

CHAIRPERSON JAMES: All in favor.

COMMISSIONERS: Aye.

CHAIRPERSON JAMES: I anticipate that the ayes have it. I would anticipate that the closed session would last no more than an hour. And that the
Commission would come back and reconvene as scheduled at 1:30 p.m. So with that in mind, I would like to thank you for your participation and we'll see you back here at 1:30 p.m.

Yes?

COMMISSIONER DOBSON: Madame Chairman--

CHAIRPERSON JAMES: One minute before we leave. Commissioner Dobson.

COMMISSIONER DOBSON: I'd like to apologize to my fellow commissioners and to the Chair, I did not know that there was going to be a working lunch, and we were invited to visit the Boston Rescue Mission at lunch today, and so I will not be able to attend this closed session.

CHAIRPERSON JAMES: Okay.

COMMISSIONER DOBSON: I wanted to explain my absence.

CHAIRPERSON JAMES: Thank you. Thank you very much. We're going to take about a five minute
break and then once the room is cleared, we will reconvene then for our closed session.

(Whereupon, at 12:15 p.m., the public session was adjourned and the Commission went into executive session)