CHAIRPERSON JAMES: I'd like to open it up now for questions from our Commissioners as well as interaction among our panelists and, please, feel free to engage in that kind of dialogue and debate.

The Chair recognizes Commissioner Wilhelm.

COMMISSIONER WILHELM: I have one for each. Do you want me to--

CHAIRPERSON JAMES: Just jump right in.

COMMISSIONER WILHELM: First, I have a question for Mr. DePhillippo, and I want to preface it with an observation, and that is although I share some of the concerns that have been expressed by others about both aggressive lottery advertising and also some of the newer instant forms of lottery activity.

Nevertheless, I do think it's worth pointing out that for those who look upon participants in the lottery as somehow, you know, poor fools who wander around doing irrational and stupid things, it is interesting to note that the state that has the highest by, as I understand it, by a significant margin, has
the highest lottery payout, also has the highest lottery participation, which, I think, ought not be lost sight of. Perhaps some of the lottery participants are not quite as irrational as some people say.

It was observed yesterday, Mr. DePhillippo, with regard to the Massachusetts lottery, that the legislature, or it was implied, that the legislature dramatically reduced or nearly eliminated the advertising budget for the Massachusetts lottery, and I have a twofold question related to that. One, is that true? And two, if it is true, what has been the impact on lottery sales of that change if it happened in advertising budget?

MR. DePHILLIPPO: Well, yes. Over the years from 1993 to 1994, right before I became director, the budget was cut from a high of about $12 or $14 million down to $400,000. The impact has not been seen on the top line yet. This year, we will experience our first sales decline ever and if it wasn't for some of the initiatives we've done from an expense point of view, it would be a year or first year of a net state revenue decline as well.
The gains that you used to get advertised and again, I was not the director then, this is what I've read and seen, were what we call the on-line games, which are the lotto type games and the daily numbers games and those all have experienced severe declines in the past three or four years. They've stabilized finally, but through the years that I've been here, they've had significant declines.

The reason that the state has not shown a sales decline is, one, at the same time the legislature cut advertising, they introduced Keno. So, that offset a lot of that drop and that's probably the major reason plus there was an increase of the price points of our scratch tickets. Those were the two things that helped to offset any of the drop.

COMMISSIONER WILHELM: All right. And the second question is for Dr. Brenner, right? You are, I really appreciated your testimony, you are living proof of the proposition that is often presented, that we Americans lack a sense of the long reach of history. And I was interested in some of your comments, which I think go to show that history teaches that those who talk about prohibition and gambling are probably barking up the wrong tree.
But I was particularly interested in your observation that, if I heard you right, that over time and in different situations the rate of gambling addiction is both small and seems, if I heard you right, relatively constant. Could you expand on that a little bit?

MR. BRENNER: Well, let me answer first the question that you raised to Mr. DePhillippo, then I'll come back to addiction. I think that all the, because that was an important point and I didn't get to it in my presentation. The answer to the question when the government is in the business of gambling is just how much this industry, how large this industry should be. When the sector is competitive, then it must be financed somehow. So if you financed already 10 or 20 casinos or 100 casinos and the next one wants to open, it must go and raise money and if it cannot because the financial backers feel that this, there are no more returns to be expected there, then you know that that industry shouldn't expand anymore.

The problem is when the government is in the business that you don't have this financial market check on just how large, how well the lotteries are managed, how many businesses you should have in that
industry? So, I think the question that you raised is a very important one that today it's really not clear because it is not a competitive business, just maybe the government overreaches it, this source taxation. Maybe it spends too much on advertising. Maybe it is not efficiently managed. We just don't know.

I would say that one of things that came out in all of the countries, it was not clear just how large this industry would have been under competitive circumstances, but that's in response to your first question.

To the second about addiction, yes, all the results whether, you know, there have been commissions on gambling going back to the 19th century in England, and although all the town people spoke about addiction, it seemed an insignificant number. First of all, yes. You have a lot of what I would call patterns of addiction, who get money from various sources or want to extract them, who exaggerate the claims and they say that six percent of the population is addicted and things like that. You just don't find those numbers anywhere.
For example, I know what little research that I have looked at was one done in Connecticut, if I recall, and they found altogether that 150 people register in this treatment for, I don't know what it's called, Gambling Anonymous, it's similar to Alcoholics Anonymous, all the other research that I am familiar with came up with similar numbers.

Now, you have a problem with how you define exactly addiction. I would say the only way you can define it is when either the guy goes bankrupt or ends up in prison or ends up in treatment, otherwise if he doesn't get there, then it means that he's self-corrected in one way or another.

So, the research I remember, I don't remember the author who looked at prison population, what percentage of the prison population arrived there because of gambling that led to crime and something like that, and it found at the time that it was about two percent of the prison population. But even that two percent, they found that it was really just one aspect of that dissolute life.

Now, I would say the reason that addiction has such powerful affect in discussion about this industry is because of the media. Because if I value
that 99 percent of the people are petty gamblers, very
basically spend, net, about $10 to $20 on gambling, all
the people go from New York to Atlantic City spend a
day and have cheap food, well, that's not an
interesting story and no newspaper will put it on the
front pages, it's boring.

But the sad effect, what is interesting is
the exceptional cases when you have somebody who, is
running around that is addicted to gambling, abandons
their wife, steals, then commits suicide, well, that's
a fascinating story and you can make a movie out of it.

Just to give you an historical example,
many people refer to Dostoyevsky's The Gambler, it's
one of those books in the literature that is frequently
quoted, it's really about a gambler who gets addicted
and kills for money. What is interesting is that
Dostoyevsky himself was a gambler and he went bankrupt.
But he wrote The Gambler after he went bankrupt. He
took himself, disciplined himself, never gambled again.

In fact, he wrote most of his books when he
was bankrupt to save himself from bankruptcy, including
The Gambler. So, he received two types of reactions.
In real life he went toward the entrepreneurial thing.
In his literature, he went toward the criminal
direction. But I think these are the types of things that the movies, the books, the headlines, that somehow have exaggerated the fact why discussion on addiction is so important.

But the findings are that it's minimal, even, let me have just one more saying, there is only one research that really looked at whether of those who treated themselves, how many relaxed and they found that, in fact, 65 percent of those who at one point or another were addicted, they later killed themselves.

So, I would say that there is just a non issue in the following sense, that you cannot judge just like you don't judge the drinking industry by looking at the small percentage of alcoholics, and you don't look at driving because of a few people who drive at 200 kilometers an hour. It's the same thing about gambling.

That said, you can solve the problem of addiction, of problem gambling either by allocating a certain percentage of the tax revenues to treat them or if somebody is known to be an addict, then you make the casino or the gambling establishment liable for serving him just like alcohol, and you have this type of arrangement. So both solutions could work.
COMMISSIONER WILHELM: Madam Chair, I'll pass my third question to give other Commissioners time.

CHAIRPERSON JAMES: Certainly.

Dr. Dobson.

COMMISSIONER DOBSON: I thank the three panel members for your excellent presentations.

Mr. Karcher, in your book on lotteries, I think, and correct me if I'm wrong, I think you indicated that the state or rather the National Association of State Lotteries has an advertising code of ethics, but that it is largely ignored. Do you have any hypotheses as to why it's not applicable?

MR. KACHER: Let me answer that in just a moment. First, let me do something else by way of preface of the answer. I want to comment on my colleague, Mr. DePhillippo's, testimony and I want to say also in my book, you notice there are three recommendations. Among all of the recommendations there are three that Massachusetts has implemented and I want to compliment them for that. I think the fact that they share the revenue, and there is a formula so that from where the money comes, it is sent back on a formulitic basis. I think every state should do that.
If you're going to exploit a certain area, certainly you should have the money, and I think send back in some ratio and I think that's very good.

I think the second thing is that they do prove the point that the higher the payouts are, the more people play and you get an upscale gambler to play if you have more payouts.

Another recommendation, the third one is that they do enforce, they have a program to enforce teenage gambling. In my state, I've never seen a prosecution of a lottery agent for selling to someone under age. Yet, if I go in and try to buy a newspaper at a place that sells lottery tickets in the morning, the kids waiting for the bus to go to school are there tying up the counter because they're buying lottery tickets and nobody enforces it. The same thing is true about kids who are inebriated. Nobody enforces it. Yet, if you go into a casino in New Jersey and they let you gamble while you are inebriated, that you have fines in the hundreds of thousands of dollars, yet nobody every enforces it in the lottery.

Now, let me give you an advertisement that was on the air this year in New Jersey, to give you an example of what I consider to be extraordinarily tacky.
What was prevalent when the book was written was and what I never understood is why we allowed taxpayers' money, if we spend billions and billions and billions of dollars on education to inculcate our youth with a work ethic, then we had this whole range, this panoply of advertisement that made work seem menial. You know, that all you had to do was be lucky and you could walk away from your job.

Show me any advertising, ever, for the lottery where a doctor or a lawyer or an engineer was portrayed, it was always someone in a menial position who then disparaged that position once they won. That's wrong. How can we have this kind of conflict in our society where we try so hard, spend so much money inculcating the work ethic and then bash it with advertisement.

Let me just conclude by telling you the one we had this year in New Jersey. It started with a woman receiving a call from, apparently, her spouse saying that he had been kidnapped and was being held for ransom, a million dollars. How am I going to, she says: "How am I going to get that?" He says: "Play the lottery." She then goes out and plays the lottery and wins. She is then seen checking into a hotel in Europe.
or Mexico and being asked whether she has any baggage and she says, "No. I've gotten rid of him."

(Laughter)

MR. KARCHER: Now, that's just wrong. I mean, what's the message there? That murder is all right. That kidnapping is all right. How can we have this kind of conflict? And that's my big gripe, it's that we have this mixed message continually being sent. We have this bashing of the work ethic which has been most prevalent in lottery advertisement. Then secondly, we have this new kind of advertisement which I, you know, is just horrible, just horrific what that message was that was being sent.

COMMISSIONER DOBSON: So, the code of ethics is--

MR. KARCHER: Is honored in the breach.

MR. BRENNER: Can I answer, may I answer on this point?

CHAIRPERSON JAMES: Why don't we do this. Let Dr. Dobson finish his line of questioning. Let Dr. Brenner respond, and then I'll come down to you.

COMMISSIONER DOBSON: This should be a quick one. I just want to check my math, Mr.
DePhillippo. I had hoped to do better than Chairman James, but--

CHAIRPERSON JAMES: I went to Sam. We're on a first name basis now.

(Laughter)

CHAIRPERSON JAMES: I'm not sure if I heard you right or if I've got my math right, but 19 percent, we're talking about the local sales commission, in 19 percent of the one dollar out of three--

MR. DePHILLIPPO: Which translates to approximately six, six--

COMMISSIONER DOBSON: Six percent. All right, six percent commission. If the average income for an outlet is $23,000, 23,000 is six percent of $383,000 per year, so the average outlet sells $383,000 worth of lottery tickets per year.

MR. DePHILLIPPO: Right. Once again, I want to tell you when you have a 70 percent prize payout, you create an incredible amount of churn. So, what happens is, someone walks into a convenient store with $10. He may buy five $2 scratch games and win $6. He could take the $6 home or he could decide to buy $6 more. Now, it records as $16 in sales. Then he wins $8 and maybe he turns that in. That now comes in as
$24 worth of sales. Okay? And maybe he wins two more and out of 26, that is recorded on our books as $26 worth of sales, but at a $10 expenditure.

COMMISSIONER WILHELM: Does that, pardon me for interrupting, does that also lead to a skewing of the per capita gambling figure?

MR. DePHILLIPPO: Definitely. Here, in our state?

COMMISSIONER WILHELM: Yeah. The same churning.

MR. DePHILLIPPO: Absolutely. I mean, I think I try to make that clear that our, that our $525 is what is the gross sales, what people actually lose per average. It's about $160. Now, when the Globe series came out and they kept talking about this community doing $1,000 for every man, woman and child, the point I was trying to make is that the net spending was a lot different than that, a lot different in our state.

Now, some states who pay 50 percent have a different ratio. Some states, where the instant quantity is not as a big piece of the business as ours is, has a different ratio, but that's what our ratio is.
CHAIRPERSON JAMES: Dr. Brenner.

MR. BRENNER: I just want it resolved.

With due respect and I have to disagree with what his view of what the advertising reflects and about the work ethic and so forth and here it is relates with some findings that I didn't have time to mention. When you look at who is playing the lotteries, you find that, yes, it is true that it is poorer people who play it.

Now, poorer is not necessarily reflected. I know a lot of research that looked at, according to the incomes, it doesn't look like the poor, but that's not true. When you adjust to the age and number of children, somebody who has $30,000 when he is 20, he may be relatively rich. If you are 50 or 55 and you have still $30,000, you are relatively poor and what you find is that it is in general the older, the older people with small children who play.

However, there is, what you find is that when this obviously, then the winners are these same people and there is, I look then, at the time, how did this winner spend the money and what you find is, yes, obviously when you are 55 and you were a janitor all your life, what do you want when you've won suddenly $2
million. Obviously, you would retire from work, but
that's not, it doesn't mean that somehow that is a
contradiction with the work ethic.

What you find is that these people, with
very few exceptions, they allocate then the winnings to
the education of their children, they spend on homes
and they spend on vacations. That's one.

The second, obviously, if these are the
players of the lotteries, it is the relatively poor and
the relatively old and with many children, then you
will not advertise lotteries to physicians and to the
rich because they are not playing. You will advertise
to the group that is playing to remind them of probably
their only option, at the age of 50, of ever getting
rich. I mean, that's what lotteries, in fact, represent
for them, chance of getting rich when in the labor
markets they didn't do it and they have no hope of
doing it.

COMMISSIONER LEONE: Excuse me.

MR. BRENNER: Yes.

COMMISSIONER LEONE: I don't understand how
studying millions winners tells us anything since the
numbers involved are trivial.

MR. BRENNER: No. They aren't--
COMMISSIONER LEONE: I mean, if you want, they're trivial.

MR. BRENNER: No, they are not. Well, first of all there are two -- I shall answer you exactly. I don't remember the numbers. You can find it here how many over the years you can look at. First of all--

COMMISSIONER LEONE: I mean, that's what the media does. That's what you were criticizing here, the people who make a million dollars, not the million people who lost a dollar.

MR. BRENNER: No. No. That's no, then maybe I was misunderstood. There are, first of all, you can look at all the players, both in the U.S., I have looked in Canada, around the world, you do find that the players are relatively older and with small children. You find that. So, obviously, if the game is not rigged, then the winners will be a representative sample of the population who is playing. And that's exactly what you find, and at the time, that was ten years ago, so gambling was not all prevailing as it is now, I don't remember how many hundreds were in the same. So in the sample you find the same thing,
it is relatively old, with small children. That's what I mentioned.

COMMISSIONER LEONE: I'll ask you a different question. The panel is to talk about who wins and who loses.

MR. BRENNER: That's true.

COMMISSIONER LEONE: I had hoped we might get at the redistributive aspects of this form of taxation in the lottery.

MR. BRENNER: Okay.

COMMISSIONER LEONE: All right. It's a very high tax. People get very excited about sales taxes and income taxes which are not nearly as high as this tax. It is an attractive activity to people obviously or otherwise you wouldn't be able to impose a tax of this magnitude although we sweeten it by saying even though it's a little naughty, we're going to give the money to little old ladies or to schools and so it's not so bad, but it is a very high tax and it has re-distributive aspects.

Alan Karcher, who comes from a state where politics is softball, New Jersey, where he's a great hero to a great many people because during his years in the legislature and as speaker, he was plain spoken
about these kinds of tax issues, issues which are almost never discussed honestly. And the lottery, by any reasonable standard, is a regressive tax, and therefore, when you talk about who wins and who loses, we might get at some of those issues of regressivity. And since, let's stipulate that Alan is right and it's here to stay, given it's regressive nature, given the fact that people apparently want to do it anyway and are willing to pay this very high tax in order to engage in this activity legally, then what might we do to the redistribution and other things in order to affect who wins and loses?

I'm not, by the way, somebody who is delighted to hear what lotteries are spending only on compulsive gamblers. I mean, I think that's nice, but that's like Phillip Morris spending money trading on colleges, that wouldn't change my opinion of Phillip Morris. I mean, I think they ought to do it. In this case, who wins and who loses could be affected perhaps, by how you spend the money, as well as how you structure the game and how you advertise it. Now, Alan's book gets at some of those issues. I would like to start with Mr. DePhillipps, if I can, and ask--
CHAIRPERSON JAMES: I'm going to allow you to do that, but the Chair does recognize that I had promised Mr. McCarthy to go next so as soon as you're done--

COMMISSIONER LEONE: I'm following up on this question--

CHAIRPERSON JAMES: That's fine.

COMMISSIONER LEONE: --and I really wonder how you address that in Massachusetts. How you address the redistribution issue?

MR. DePHILLIPPO: By the formula that was just spoken about.

COMMISSIONER LEONE: So, geographically?

MR. DePHILLIPPO: Well, it's geographic and it's also based on property values. So, those markets that have a high density of people in low property values receive even more than what they spend. There's a town in Massachusetts called Waltham, which is a very middle class and actually right now is one of the hottest booming towns, known for it's great restaurants and real estate development in the last two or three years, that is among the top two or three towns per capita in lottery play. If you take another town like New Bedford, which is probably one or two in per
capita, New Bedford will get a lot more money back than
Waltham will because property values are less in New
Bedford than they are in Waltham, even though they both
play about the same and even though they both have
about the same density.

COMMISSIONER LEONE: Mr. Brenner?

MR. BRENNER: I think I answered your
question. Maybe I wasn't very clear about it when I
said at the very beginning that, in fact, the way to
look at lotteries is that the revenues go into the
general funds and that the government really allocates
it in that general fund. So, what I implied by it, is
that there was no reason to look differently at just
how these revenues are assigned because the evidence is
that the government looks at the whole--

COMMISSIONER LEONE: The point you're
making is the money is fungible and even though--

MR. BRENNER: That's true.

COMMISSIONER LEONE: --it may seem to be
earmarked, in fact, something else--

MR. BRENNER: So, that's why I said that
the regressivity is decided at that level.

COMMISSIONER LEONE: Yes.

MR. BRENNER: Maybe I wasn't clear.
CHAIRPERSON JAMES: One of the things that's baffling to me though is that I hear on one hand that the money is fungible and it's not earmarked and it goes into the general fund, and then I see a chart that says this is what the states do with the money. The states use it specifically for education. It's used specifically for, you know, social programs. Which is true?

MR. DePHILLIPPO: Well, it depends upon the state. In our state, it's cities and towns. In the state of Pennsylvania, it's senior citizens. In the state of Georgia it's education.

CHAIRPERSON JAMES: Now, I saw, I think, can we go back to the earlier chart that showed where the states put the money.

MR. DePHILLIPPO: I think there's about 13 states that use general funds, maybe one--

CHAIRPERSON JAMES: As an example, I see on the chart primary and secondary education and I see Virginia there and I thought that in Virginia the money went into the general fund.

MR. DePHILLIPPO: Because as I said, in proportion of the general money, 12 states send it all
to the educational funds. The other six states that
are listed here, I think they at least send a portion.

CHAIRPERSON JAMES: Well, I think we asked
our research staff to, and some of the presenters
yesterday to get us some of that data and that'll be
helpful to look at because so often--

MR. DePHILLIPPO: We'd be happy to--

CHAIRPERSON JAMES: Yeah.

MR. DePHILLIPPO: We'll have that sheet for
you.

CHAIRPERSON JAMES: And I think sometimes
with language when we say it goes into the general fund
and then when we say it's earmarked and it gets very
confusing, it would be good to have some real clean
data to look at to see what actually does happen with
the money.

MR. BRENNER: Ms. James, I have the quote
for you, from two directors of fiscal studies here in
the state. Here it is, Stephen Gold, he was at the
time, the director of fiscal studies for, in Denver and
he said the following, that because of the gain from
lotteries, educational programs lost equal amounts from
the general appropriations.
Then to the same effect, somebody called Bob Roy, who was director of the budget studies for the Senate Finance Committee in New York, he said the following, the primary debate in New York has been whether lottery funding becomes a supplementary source. The truth is that it is just one of the funding sources, but if we didn't have the lottery, taxes would have been increased by $650. And you find that repeatedly money was fungible.

Chairperson James: I have one more question, but I'm going to reserve it until after Mr. McCarthy.

Commissioner McCarthy: Mr. Karcher, I wanted to thank you about your comment about how the advertising done by many state lotteries is so directly contradictory to the values we supposedly try to inculcate into our children in the school systems. That's exactly the reason why I oppose the lottery in California. When it was presented by Scientific Games, who funded putting it on the ballot as an initiative funded its campaign and then I think got the first contract to run it.

The question I wanted to ask you is in your book. I only glanced at your book when we received it
a week ago, do you break down, you made a statement 85
percent of every dollar gambled goes to government. Do
you break that down in your book?

MR. KARCHER: No. It's based upon a study
that was done, I believe, in New York, and if you just
calculate it, and it's pretty easy to calculate the
amount of take out, as they say or the amount kept.
Then you have to add to that the amount of federal
taxation that is imposed.

Then the truth of the matter is, yes, the
money that is won, discretionary as Mr. Brenner,
Professor Brenner said, is used for things like
vacations, things for high luxury, high ticket items
that usually carry a sales tax, et cetera, when you add
that all in and you figure what is really left over
with money in the pocket, it's very little. It's a
small amount. If I understood Mr. DePhillippo earlier,
he used, said there was 70 percent. Is that what the
calculation is is that 70 percent out of every dollar--

MR. DePHILLIPPO: $.74, yes.

COMMISSIONER MCCARTHY: -- so the number,
it may be 75. It may be 85. Whatever it is, it's
very, very high. It's an extraordinary number. When we
express outrage over an income tax and we all say the
income tax, you know, is crushing when it hits 32 percent and yet we don't blink when we have a tax here that we all can agree is at least 75 percent, out of every dollar gambled in lottery, 75 percent winds up in some government treasury.

COMMISSIONER MCCARTHY: Are any studies on that cited in your book?

MR. KARCHER: I believe they are, if I'm not mistaken. I didn't make the citation--

COMMISSIONER MCCARTHY: If you have the cites for any of those studies, I would appreciate it if you would share them with us.

MR. KARCHER: I certainly will.

COMMISSIONER MCCARTHY: We are looking at areas that we might want to research in state lotteries right now. The Chair has appointed three of us to the Research Subcommittee and we made a presentation to the full Commission yesterday and we're trying figure out which priority issues should be included in a national research project. It sounds like one we ought to be taking--

MR. KARCHER: I'll track that down for you.

COMMISSIONER MCCARTHY: I thank you.
COMMISSIONER BIBLE: Do you have the same tax effect for illegal gaming?

MR. KARCHER: Illegal gaming actually pays, let me suggest that, I wouldn't know this first hand--

(Laughter)

MR. KARCHER: --but I'm told every major gaming site where there's enough employees to have a numbers, a meaningful numbers game played at a work site, it's preferable to a lottery because the payout is better. The payout is always constant in an illegal lottery and the illegals numbers game, the games that were played -- first of all, the illegal numbers game were never able to go into lotto because there was never enough sophistication so it's always just been a three digit game, the numbers business. And on job sites or in factories it is still played and the payout remains constant.

Whereas, in, as I understand it, the three digit game is a function of how many people have that number so the payout can be as low as two or three hundred dollars. Is that correct? At least it is in New Jersey. In other words, if you played the numbers illegally you would get a $500 payout no matter what, out of 999 numbers. If you had that number you would
get a $500 payout, whereas you might run the risk in a legal lottery, a legal numbers game of being paid out only two hundred and some odd dollars or three hundred and some odd dollars. So, I'm told that some people still prefer to play the old fashioned game.

COMMISSIONER BIBLE: But would you still tend to have the same tax reporting requirements? You'd be subject to the same reporting requirements for income purposes?

MR. KARCHER: I have a feeling a lot of that money escapes taxation.

(Laughter)

MR. KARCHER: That's a distinct feeling I have about that.

CHAIRPERSON JAMES: Commissioner Wilhelm.

COMMISSIONER WILHELM: I just, I don't know if these are questions or comments, but first of all, Mr. Karcher, I found your book extremely useful as well as provocative and I really want to thank you for it.

MR. KARCHER: Thank you.

COMMISSIONER WILHELM: I am not, just speaking personally, a particular fan of lotteries. Primarily because I don't think that the jobs that lotteries produce are decent jobs, and I think the
crisis of America is decent jobs for people don't have a lot of formal education. Having said that--

MR. DePHILLIPPO: I think my 400 employees would disagree with you on that.

COMMISSIONER WILHELM: Yeah, but 400 employees, with all due respect to them, for the amount of millions of dollars and billions of dollars involved, doesn't strike me as overwhelming. But I'm just expressing a personal view about that.

But having said that, it is clear, I think, that some version of lotteries are here to stay and at the risk of being overly simplistic, we had all these lotteries run for alleged public purposes earlier in the history of this country. Clearly, I can agree that the lottery that founded the Virginia colony was a great idea, and some people would disagree that a lottery that built buildings at Yale, Harvard, Princeton and Columbia was a great idea, but in any case, they had those kind of things.

And then we had this period of time, and I point this out to all you fans of government privatization, we had this period of time in American history where lotteries were run by private companies and they had to be done away with because they were so
crooked and corrupt. And then we had this period of
time, particularly in Northeast and the upper Midwest
where you had illegal numbers and then we had this
period of time that began in the wildly erratic State
of New Hampshire where the government runs the
lotteries. So, there may be a reason the government
runs lotteries in this country when you look at the
history of those who ran them prior to the government,
particularly the private companies.

But having said all of that, and I just
make that historical point because of those of us who
say, well, gee, government shouldn't be doing these
things. I have a lot of trouble with the argument
that, and I really appreciate your point of view on
this Mr. Karcher, that the poor are being exploited by
the lotteries.

You know, I've spent my entire adult life
working with and representing working class and poor
people, and it's my experience that working class and
poor people are essentially like everyone else that
I've met and that is to say individually capable of the
utter, the greatest stupidity and folly, you know, from
one individual to another just like the rest of us.
But collectively, I believe that working people and
poor people are more or less like most other people in
that they generally act in a rational manner most of
the time as a group. And I think it's a very
patronizing idea that somehow the lottery is this great
hoax that poor people are too stupid to see out of.

I don't get that, the point was made here
before that people in many life situations don't have a
realistic opportunity to come upon $1,000 or $50,000
let alone a million dollars, and so if they choose to
spend a buck or two or five or ten on the off chance
that they might get an economic windfall that they have
no other possibility of getting, I don't see why
necessarily somebody with a better income ought to be
in a situation of saying, well, that's a bad thing.

The point was made in the book, Selling
Hope that engaging in a lottery is also a form of
social activity. I don't see why it's terrifically
different from a group of people who buy lottery
tickets to sit around the factory lunch room talking
about who is going to win the number that day, than it
is for another group of people to sit around a country
club talking about who is going to lose their shirt on
derivatives, which, I don't believe, are any greater
form of safe investment probably than a lottery ticket.
So, I don't want to disregard the redistributive issue that Richard raises because I think it's a very important issue. But I also want to caution all of us against somehow assuming that because many lottery tickets are sold to people of lesser means that somehow the rest of us are smart enough to realize that they must be really dumb. I don't believe collectively they're dumb at all. I think they are very rational decisions.

I think the odds being disclosed a little more, as Richard was suggesting yesterday, makes a lot of sense and the same thing is probably true of the securities market, and I hope one of the things that we talk about in Chicago is, for example, whether people who lost their shirts, their retirement shirts in derivative investments that somebody else made for them knew what they were doing. So, I just, I worry about what I see as a patronizing notion slipping in here.

And I don't know if you have any thoughts on that, Mr. Karcher.

MR. KARCHER: I would not want to be accused of being patronizing. I think government has a role, though, in protecting us from certain things and protecting us occasionally from ourselves, protecting
us from tainted meat, for instance. The government has a role in doing this and I don't even think it's a fine line. I think it's a pretty bright line being patronizing and being protective in exercising what is truly a governmental function.

But you're right, this is the only chance some people have. This is the poor person's stock market, but they have a right to do it in a way where they are informed about what the odds are.

COMMISSIONER WILHELM: Yes, I agree.

MR. KARCHER: I have, and this is a true story, an absolutely true story. I had a little give and take with a person in a delicatessen within the last six months about the lottery and they told me, and I suggested to them that to pick six, the odds were 14 million to one, and they looked at me in sort of bafflement and they said, no. It's even money. I said, even money. No, it's $14 million to one. They said that it's 50-50, if I buy a ticket I have a chance, if I don't buy a ticket I don't get anything.

(Laughter)

MR. KARCHER: I think there is an opportunity and I think that as I started with, it's here to stay. We're not going to change human nature.
People like to bet. It is a system that also goes to the idea of distributive justice. You don't have to have an education. You don't have to have great parentage. You don't have to have anything. All you have to do is have a ticket and you have a chance and that's what I think people are attracted to it for. It's non-judgmental and the threshold is non-judgmental to have your chance.

But I think there is the opportunity for lotteries to be fair, to be better, to be less machine intensive and more labor intensive. I think we ought to put in a standard, as I say in my book, we've got to put in a standard where we reward people with franchises who agree to hire the handicapped, who agree, you know, to deal with people from welfare to work fare. Those people should be awarded and have a better chance of getting the franchise. And I think every state ought to do what Massachusetts did and have some kind of formula where, where the money comes from and the poorer areas get a better break and get more money back directly. That's what—

CHAIRPERSON JAMES: You certainly may.

MR. DePHILLIPPO: May I just add something that I don't understand and I've been told not, not
that I shouldn't be asking any questions or volunteering anything, but you all went to Foxwoods last night and whatever. If you look at the various amount of studies that have been done, they estimate anywhere from the low of $400 million that's being spent by Massachusetts residents or a couple of hundred million dollars all the way up to $500 or $600 million is being spent by residents of their state for which the State of Massachusetts receives nothing.

So, I guess I don't understand the taxation issue of the Massachusetts state lottery, of why a lottery that generates $725 million for the cities and towns in an activity that people are free to do in private industry and for the, really what are the social compact that we have in our state.

And the reason why it's so popular in our state, take away the prize payouts and everything else, is because that's exactly how they see it. They see it as a social contract. They get to play a game that they enjoy and in return for that, not as a form of taxation, but in return for that, they see the results back in their cities and towns. In different states, they see those results in their schools or they see it
in their senior citizens. So, I just wanted to make
that comment.

COMMISSIONER MCCARTHY: I would only, and
I'm not sure what the comparison is, there seems to be
an implicit assumption that individual members of the
Commission are endorsing or favorable about Foxwoods.

MR. DePHILLIPPO: No. Oh, no, not at all,
but I think--

COMMISSIONER MCCARTHY: Well, do you mean
because it happens in the private sector, why shouldn't
it be able to happen in the public sector?

MR. DePHILLIPPO: I don't understand the 75
percent or the 85 percent tax rate on lotteries.

CHAIRPERSON JAMES: I'm going to go to
Commissioner Lanni and then Commissioner Bible.

COMMISSIONER LANNI: I'm not sure who I'm
directing this question to, but yesterday it was
mentioned by an individual that the creation of
legalized lotteries in states has in effect done away
with the illegal numbers system. That seemed to be to
me a reasonably incredulous remark. Again, we from the
west are not familiar with the numbers game, I think it
is a product more of the cities in the east. Maybe
someone could answer that. Are there statistics that
are available as to what it has done or not done relative to the illegal forms of gaming, specifically in this case, the numbers business?

MR. BRENNER: I don't have the details but, again, the general evidence in all the countries that have experience with, let's say, prohibitions of various forms of gambling is that the moment gambling was legalized then the illegal gambling disappeared. Now, no country moved very quickly from complete prohibition to complete legalization. No country has a completely open gambling section, but yes, the evidence is very clear that illegal types of gambling have disappeared, be it, within, be it France.

In France gambling was all the time legal and then during the French Revolution they outlawed it for three years. And they immediately went back because most people gambled illegally. So, yes, it disappears. Now, the longer the prohibition, what I found at the time then, and when gambling is not completely liberalized, then yes, you have remnants of illegal gambling continuing for a number of reasons.

First, if you don't allow numbers games or things like that, then, yes, you have the entrepreneurs offering that. At the time, I remember finding that
one of the reasons that the gambling sector was viewed with suspicion after periods of prohibition was that by definition when something is prohibited, then it's the criminal sector who is involved in it, and when you legalize it, obviously it's the criminal sector who gets in it. But the only reason is that they are the only ones who know the industry and the games and everything. So, it doesn't mean that later they do anything criminal, but somehow the reputation remains.

So, to your question, it depends on the extent of legalization how quickly and how much of the illegal part of the gambling industry disappears.

COMMISSIONER LANNI: One comment. There was a question raised by the panelists that it was amazing that when you have a tax it may be 84 percent or 85 percent, why someone would not object to that where they might object to a, what is it a 41, 45 percent tax on the federal level right now. I think probably the difference, and I'm not one who has ever purchased a lottery ticket, I personally don't care for the odds. But I think the difference is, on April 15th, I must submit a check to the federal government and in my case also California, but it's an option for me to walk into a convenience store and buy a lottery
ticket. So I think the optional factor, it seems logical to me, is why is this accepted more than the required side of life.

One last comment. I thought in reading your book, Alan, and having lived in New Jersey for two and a half years, I share Richard Leone's thoughts about you. My question had to do with the issue you raised as one of your first recommendations, and I do believe that there is a role for the federal government and state government, maybe not as all consuming as some people might believe, but I think there is a role.

And you suggested in your book, in the conclusions, that there be some separation between the operational and the regulatory aspects, which I think is quite commendable. Are there any instances where that is taking place in any of the 37 states and the District of Columbia and I guess the six provinces of Canada in which the lotteries exist?

MR. KARCHER: I can't answer that. I'm not aware of the time of separation but let me give you a paradigm. The paradigm is the Casino Control Commission, in New Jersey. We have an independently appointed body that is well paid, full-time, doing nothing else but regulating the casinos to see that
there is no underage betting, to see that there is no
service to inebriates, to see that the game is on the
up and up, and it's very nominal what New Jersey
receives from the gross amount of handle on the casino
gaming compared to what we get on the lottery.

The lottery, the problem is that decisions
are made solely and exclusively on the dynamic of
revenue need and that's why I also recommend that you
never allow a state to project more revenue than what
they collected in the year past because what happens is
as soon as you have a shortfall, you are automatically,
because the decisions are being made by a revenue
driven management, the decisions are made to cut
corners, the decision is made to over-saturate an area.
The decision is made to engage in some more tacky
advertising, and I didn't mention, but the advertising,
we didn't touch.

The other thing I find so objectionable is
that there is a spike in the amount of advertising that
is done when we talk about what market we're aiming at.
Every study shows that the last day of the month and
the first three days of the new month are when the
majority of the money is spent. Why? Because that's
when the Social Security checks are received, when the
workers' compensation check is received, the disability check is received, the welfare check is received.

Now, that is calculated and that is sinister as far as I'm concerned where my government will make a decision to exploit advertising, is going to have the advertising done at that period to exploit that market. It's just wrong and so I think you need to have something that separates, as the Casino Control Commission separates--

COMMISSIONER LANNI: When, in effect you have the Division of Gaming Enforcement, which is the investigative side of the business, separate from the regulatory side, the Casino Control Commission.

MR. KARCHER: Absolutely. I should have mentioned, and in the lottery you have nothing.

COMMISSIONER BIBLE: But doesn't that problem really start with the legislature when the money committee plugs in a revenue item to be generated by the lottery?

MR. KARCHER: Absolutely. No one to blame but the legislature.

CHAIRPERSON JAMES: As a point of information, I tried to find a state budget director
who would come and be a part of this panel to talk
about just this very subject.

MR. KARCHER: You have a Commissioner here
who--

COMMISSIONER BIBLE: I'd be happy to talk
to you about how it works. You can see the charts
here, and I know how it works, and as a budget director
I know what you do.

CHAIRPERSON JAMES: Well, not quite from
that perspective, although I do appreciate it, but what
was most interesting to me would be to discuss and go
into some detail on the pressure that a current state
budget director would feel, operating in an environment
where there is a lottery, and the implications of what
that means for balancing the state budget.

COMMISSIONER BIBLE: Well, they're going to
try and maximize the potential. A lot of the times the
legislative money committees do, I think we heard
today, they'll plug in a number to be generated on the
revenue side and they'll cut the advertising to save on
the expenditure side of the budget.

COMMISSIONER LEONE: But I think Alan and I
could talk about situations where there was a fairly
explicit connection between a forecasted budget
shortfall and the introduction of new game or games
and, indeed, in one case, I'll leave the names out to
protect the guilty, I was not in that administration.
I was part of it, but the governor was and is a good
friend of mine who personally is opposed to the
lottery, and thinks it's a bad way to raise money. But
they introduced a number of new games to deal with,
even the last year of his term, to deal with a series
of shortfalls where Alan was active in the legislature
during that period.

Without giving too much away and, you know,
look, when you're actually doing budgets, as Bill
knows, I always say that's what Dylan Thomas meant when
he wrote, "I'm for anything that gets you through the
night", trying to deal with budget shortfalls, and it
often is during the middle of the night and you're
trying to put together a package and somebody walks in
and says, here's this or here's that and the lottery is
sort of free money.

I mean, the lottery is different from
raising the sales tax. A new game is nothing like
raising the sales tax or changing the rates of the
income tax where there's tremendous tension in the
system and you're going to get a lot of responses.
This is quite the contrary. You go out the next day and excitedly announce there's a new opportunity for new people to play. Imagine going out and saying there's a new tax.

I suppose I, actually I hesitate, I've always hesitated to through this out in public because I think it might be adopted, in the NBA they have a lottery for who gets the top picks in the draft and the worse you do as a team the more chances you get in the lottery. Right? The bottom teams get more, they're on more slips of paper essentially than the top teams and the very top teams don't get in the lottery.

Well, I've always imagined a big drum which is filled with state income tax returns. You take out the returns from the people who make a lot of income and you put in the other returns and you give extra chances to the people and the furthest down they go so the poorest people have the most chance to win and every week you roll the drum and you pick an income tax winner who wins a big reward. Maybe that's, and you substitute that for the lottery so you raise money progressively but you guild the lily or you sweeten it by this kind of game. I wouldn't be surprised in this
country to see that happen down theroad, as people try
to explain all this.

  Now, obviously, there's no interaction in
that. I guess you'd have to include a number on the
income tax form, but technically, the way we do it is,
of course, just the opposite of that and it's one of
the reasons it's --. But I'm, look, there's no doubt
about it's popularity. If you came up with any other
scheme that a government was going to come forward with
and you said to people, now we're going to put atax of
75 or 85 percent on this, it would be dead on arrival,
but obviously people like the lottery.

  CHAIRPERSON JAMES: Let me be clear. My
point is that the only person that you could get to
admit that is a former budget director and not a
current one.

  COMMISSIONER BIBLE: I have a totally
unrelated question. This would be for Mr. DePhillippo.

  Have you considered or are you considering
any internet applications for the Massachusetts lottery
or are any of your colleagues considering it and what
affect, if any, do you think there will be for Internet
lotteries that are being opened? I know there's a
tribal lottery that's available, there's some out of
the Caribbean.

MR. DePHILLIPPO: We have done nothing with
the Internet except to have an information page as to
what phone numbers to call and what the winning numbers
were the day before or if you want to have a history of
it or, so ours, we have a site, as most states do, but
they're all informational sites. There is no betting
nor do I see that happening ever in our state.

COMMISSIONER BIBLE: Are any of your
colleagues exploring that option, if you know?

MR. DePHILLIPPO: Not that I'm aware of. I
can't speak for them all, perhaps Rebecca Paul can when
she's here this afternoon, but I think to the person,
they're all against them.

COMMISSIONER BIBLE: And how about the
competition, the affect of having the lotteries exposed
from other jurisdictions within the Commonwealth
through the Internet?

MR. DePHILLIPPO: I think it's an issue of
concern.

COMMISSIONER BIBLE: Do you have any ideas
to sales affect or anything of that nature?

MR. DePHILLIPPO: No.
CHAIRPERSON JAMES: Sam, I'm interested in your three strikes and you're out program here in Massachusetts. Can you give us some idea of the success of that and how many do you get at the first strike, second strike and has anyone ever lost a license?

MR. DePHILLIPPO: Well, we have, I may be giving away trade secrets here, in terms of what our plans are, okay, but I will tell you that we have been to a number of first time offenders, okay, and let me give you a range of what those figures were. The first time that this was done in conjunction with the Attorney General who spoke about it yesterday, it was extremely high rate in the 50, 60, 70 percent rate. The first time that we did it on our own. And then after that, in conjunction with that sting, we made the announcement that three strikes and you're out.

Then the first qualification came when we actually did it, and I think the press helped a little bit and we have about a 40 percent violation. Now, we have to look from where we started, okay, which, that was quite a drop. We, the last one we just did on February's qualification was about 23 percent. The
second time offenders, there was a dramatic drop, a

dramatic drop.

Now, we are, we have created a little bit
of controversy because we are rigid. We are absolutely
rigid. We're non-negotiable so that, there was a store
owner who had to leave town and she asked a friend to
watch the store for her for that day and I guess the
friend, though it's posted on the terminals and that's
our basis, sold it to an underage person and, you know,
and we shut them down for two days and she came in and
explained, you know, look, this person never sold a
lottery ticket before and didn't know the rules and,
you know --? But we're pretty rigid about it, and--

CHAIRPERSON JAMES: How many have actually
lost their licenses?

MR. DePHILLIPPO: Well, we will be doing,
and I won't be telling you exactly when, but we will in
the next round, next couple of rounds, going back to
second offenders.

CHAIRPERSON JAMES: Has anyone ever lost
their license?

MR. DePHILLIPPO: No, because this is our
fourth round sting. We're not going to announce when
or who or what, but we will be going around to second
offenders. But the key is, the thing that we're very
excited about is the dramatic drop between first and
second offenders, dramatic.

COMMISSIONER LANNI: What is the percentage
of second offenders of the total now?

MR. DePHILLIPPO: I don't have it off the
top of my head, but when we did this second sting, the
second offenders, because it's a five-day penalty, now
a two-day penalty for the average agent is about $200.
A five-day suspension now gets into $500, $600 worth of
lost revenue plus disgruntled customers who can't buy
and they may actually buy their milk elsewhere and
their bread elsewhere. So the second penalty is a
pretty stiff one. And of course, the third one is a
possibility of revocation of license, meaning that I
could revoke them, but they could appeal it.

CHAIRPERSON JAMES: So, this is not like an
ongoing program where you are constantly going in to
outlets?

MR. DePHILLIPPO: We are. We are. Yes, it
is. It started about 18 months ago, but we can only do
it on school vacation. We can't get teenagers any
other time.

COMMISSIONER BIBLE: Explain that again.
MR. DePHILLIPPO: I said, we can really only do it on school vacation periods because where else, how else can we get teenagers? We have to get kids to go in and try and buy the tickets.

COMMISSIONER BIBLE: Have you ever encountered conduct that was willful, where the vendor in your mind actually solicited, encouraged minors to buy the tickets?

MR. DePHILLIPPO: No, or not that I'm aware of.

COMMISSIONER BIBLE: Do you see the vendors as being more victims then, of kids coming in and trying to buy the tickets or just negligent in enforcing the age restrictions?

MR. DePHILLIPPO: I think it has to do with training that we're going to start; we have been working on a major training program. I think there are very few store owners that would, take the example what I just gave you, that woman, try to sell to minors.

COMMISSIONER BIBLE: Have you ever required surveillance?

MR. DePHILLIPPO: Excuse me?
COMMISSIONER BIBLE: Have you ever required surveillance with retention of tapes, that they tape sales and customers?

MR. DePHILLIPPO: Not for this reason, no.

CHAIRPERSON JAMES: Commissioner Dobson.

COMMISSIONER DOBSON: Chairman, yesterday, right before lunch, I mentioned why I would not be able to participate in that working lunch because I didn't know that that was coming and I had accepted an invitation to go into the Mattapan area. and I had an opportunity yesterday to put a human face on the victimization associated with the lottery and it made quite an impression on me and the other people who made that site visit.

We went to a liquor store in a very low income, basically African-American community near here, and the things that we saw were really quite disturbing. The pastor who was with us said that when paychecks are received that people are lined up there at that liquor store to play the lottery. The liquor store owner, himself, said this is not good for these people. This is not good what it is doing to them.

While we were standing there, we were blocking access to the lottery machine. People asked
us to move aside. There was a 58-year old man there who looked like he was about 70, who plays that lottery every single day, and I talked to him and I asked him why he played so often, because obviously he's putting a lot of money in it, and he admitted that he did and he said because this is the only way that I can quit working and he was banking everything. This was his retirement plan, fat chance retirement plan.

So, we can talk about where the money goes and all the benefits to society on this level up here, but when you go down and see where that comes from, it horrifies me to think of $338,000 coming out of the community for that liquor store as an outlet. Maybe it's a little less than that but it's certainly going to be very significant because we saw it. So, I would just hope that we don't minimize the victimization associated with lotteries because I think it is a social cancer.

COMMISSIONER LANNI: Jim, did you happen to ask that liquor store operator if he had this moral dilemma of seeing people buy these tickets while he continued to sell them?

COMMISSIONER DOBSON: No, I didn't. And, in fact, I didn't talk to him. This staff member
talked to him so I don't know what he would have said
with that, but I imagine, as somebody said yesterday,
that the lottery is the difference between making it
and not making it for some of those store owners.

COMMISSIONER LANNI: It was said again
today, but it just seems--

CHAIRPERSON JAMES: Commissioner Moore.

COMMISSIONER MOORE: My wife having been an
owner of a convenient store one time, secondary to one
of my great investments, I just wonder if you wanted to
help these people if you couldn't not let them buy a
lottery ticket unless they spent some money in the
store. That would help these people a lot also because
their price is a little high on bread and milk, that's
the way it is in Mississippi. Have we ever thought of
that?

MR. DePHILLIPPO: No.

COMMISSIONER MOORE: But they did indicate
yesterday that a lot of people that went in and would
buy $18 worth of groceries might just take the $2, it
might be brought out to them, hey, don't you want to
buy a lottery ticket, which is fine. I see nothing
wrong with it.
But I think Terry's question was also very good, is that we do these things and we sell these and yet should we condemn the people that buy them if we're going to sell them?

Another little story that I might add to this. I noticed in this convenient store that we were running, my wife, we had OBC, OCC cigarette wrappers when we took this over, but we didn't sell a North State or Old Country Gentlemen tobacco. I said, why do we sell cigarette wrappers if we don't sell tobacco and so the people say, oh, come on, doctor. He says, that's the way you roll your marijuana. I said, well, hell, I've never seen marijuana in my life, which I haven't. And I think, I know what you're going to think, that's strange. But here we were selling cigarette papers and didn't even sell tobacco, but people were coming in and buying it to do their marijuana.

So, I think that in all of this, we all have a social responsibility in what we do in a lot of things in life, if we want to tie morals to this. You know, we're not supposed to mention morals, someone said, in government.
And another thing along this line, you're talking about projecting what you're going to make for the lottery for your budget. Well, I thought it was amusing in President Clinton's State of the Union speech that he had all of this projection in this budget and how he was on counseling or how many billions of dollars he was going to get out of tobacco companies. And who knows whether we're going to get anything out of the tobacco company or not. Of course we have in Mississippi, we already have it in the bank.

But I think we project a lot of things and we do a lot of things out in the business world that may not be right, and I think this is one of those that we have to study. Even though the taxes are 75 percent, I'll agree that the people that always buy it do not do so because they are particularly dumb. They may be on their way in trying to get $400 to make a payment on a car, which they're going to lose the next day if they don't make it, and the only opportunity to do that is to go buy a $2 ticket and maybe win.

COMMISSIONER DOBSON: But it's a false hope. It's preying on the poor.

COMMISSIONER MOORE: Sure it's a false hope, but that's my philosophy on this.
CHAIRPERSON JAMES: And it's always an interesting one.

COMMISSIONER DOBSON: I'll bet.

CHAIRPERSON JAMES: Commissioner Wilhelm.

COMMISSIONER WILHELM: I think it's very important not to lose sight of the point that Richard Leone made a while ago about the budget process. You know, I grew up in the state of Virginia, as I mentioned before, and it's my understanding, although I didn't live there at the time, not too long ago, Governor Allen proposed to fill up a whole in the budget by adding Keno to the lottery. And I understand he was saved from that particular indiscretion by his legislature at the time.

But a man who was a very good friend of mine, Governor Weicker in Connecticut, where I lived for many years, always said that he was steadfast against any expansion of gambling in general and casino gambling in Connecticut. And low and behold, he gave birth to the biggest casino in the world, the one we visited last night. So, I think we ought not lose sight of the importance of the budget process in all of this.
And I think that it's not irrelevant, the point that Commissioner Lanni made a few moments ago, that we can philosophize that perhaps people are wrong or being hoodwinked or something like that. But it does appear to be a reality that people feel differently about a tax that they decide to pay as opposed to one that they are compelled to pay. Maybe there's something wrong with that, but that does appear to be true and apparently, lotteries enjoy widespread public support even though, as I said, I personally don't have much use for them.

I only mention those points because I hope, I think we're all agreed that whatever this panel isn't recommending, it isn't going to be prohibition of these things because it isn't going to work, and if we recommend prohibition, of course, we're wasting our time. And if we're not going to recommend prohibition, then I think we have to think very carefully, as the point Leo McCarthy continually makes in the research committee with respect to lotteries, we have to think very carefully about what recommendations are worth making since people do engage in these, not governments, but individual people.
So, I hope that we make recommendations ultimately that are routed in reality and not in what any one of us, including me, just happens to think would make a lot of sense.

CHAIRPERSON JAMES: And with that, I think that's a good place to stop, and I want to thank this particular panel for your expertise and your willingness to share that with this Commission.

I think it should be fairly obvious to all at this point that these are, indeed, very complex issues that have not only budgetary implications but implications for the human beings that actually walk in and play the lottery every day and for their hopes and dreams.

With that, I want to thank you and we will take a 15 minute break before we go back into session.

(Whereupon, at 10:34 a.m. the proceedings went off the record until 10:58 a.m.)