RESEARCH PROGRESS REPORT

CHAIRMAN JAMES; We'll now move to our research progress report with Dr. Kelly.

MR. KELLY: Thank you, Madam Chair, members of the Commission. Like Nancy said, I have a very upbeat report for you. There's a lot that's been going on, very positive. I'd like to call your attention to the research progress report that you have in Tab eight. So turn to Tab eight. You've got the report itself, as well as some documentation behind it. What I will do is just walk through the seven points of the report and add a little bit to that, updating what has happened even since I drafted the report.

Point one, where are we on the national survey and community data base research on gambling behaviors and their social and economic, and that of course is the NORC contract.

I am very glad to report that NORC responded quite favorably to the four substantive concerns identified by this Commission at Boston. You remember, they involved the community data base expertise question, the social cost calculation, parental consent issues and patron interviews. They responded to those very adequately. In fact, that's included for your review. It's a 20 page document. That's the first document behind the progress report, if you're interested to read through that.

The response was reviewed and unanimously approved by the Research Subcommittee with the understanding that the final patron interview design would be evaluated before moving ahead. I can report to you that the Research Subcommittee has reviewed
that patron interview design and has supported it unanimously as well. So we are moving ahead.

Consequently the Chair approved final contract for signature. And you have a copy of the actual NORC contract in your documents as well for your review. By the way, the scope of work in that contract simply refers back to the RFP, the original request for proposal which you have a copy of as well, if you like to see the full technical scope of the work that they will be performing for us.

We did hold a kick off planning meeting in April with NORC representatives, Peter Reuter, Mark Bogdan and myself. We fleshed out the mission, objectives and time line for research. We do have a follow up meeting planned for May 27th, next week, which will focus on questionnaire development which is the next major area that we'll be moving in. So we hope to have a copy of that draft to you for review sometime in June. So the next big step here will be developing the questionnaire, and I know all of you will want to take a look at that and we'll certainly get a draft to you.

I have asked representatives from NORC to be here to introduce themselves and their work to you and they are here to answer any questions you might have. Cindy Veldman is here especially and will provide a brief overview of their project during the Research Subcommittee report.

I have also attached a brief progress report and a GANT chart that they drafted for you. You might take a look at that now or you might just wait until they give their report shortly, which will cover some of those same issues.
Second point, where are we on the review of laws and regulations on industry and Native American gambling. That is the ACIR contract about which we have had much discussion.

In response to your expressed concerns over their proposed costs, ACIR decided to compete for other projects so that they would not have to bill us for 100 percent of their overhead. You remember, that was one of the issues we had discussed in the past. Consequently, they were able to lower their proposal substantially from 475,000 to 274,000. This will include as well a report on the differences between regulation of American Indian and industry casinos as requested by the Research Subcommittee.

So I have attached in there the ACIR memos which constitute basically their best and final offer for your review and I think you will be as pleased as I am to see that they will cover the scope that we want them to cover for a price that we can afford. We're getting a very good deal in my opinion.

At the same time, we did receive two bids from other firms for the same work which we were asked to do. Those bids ranged from 240,000 to $376,000. Therefore, recognizing the need to move ahead with this research and that ACIR's proposal was now competitive with the other firms, the Research Subcommittee unanimously recommended to the Chair that we develop a final contract for consideration here at this meeting. I believe Commissioner McCarthy will probably address that during the Research Subcommittee report. I have attached for your review the ACIR contract that we are proposing. Also the Executive Director of ACIR, Mr. Charles Griffiths is here to answer any questions that might arise during the discussion of this issue.
Third point, where are we on lotteries, the research update on lotteries. That involves working with Dr. Clotfelter and Dr. Cook. We are continuing to dialogue with Clotfelter and Cook for research on three areas that will essentially update their work for our benefit. They're listed for you there. I won't go over them now. But basically Dr. Clotfelter asked if we would please hold off until the end of the semester; he was swamped. So we have decided to stop phoning him for a while and wait until the semester calms down and then we'll get back and pick it back up. But we do hope to be able to move ahead soon with a contract proposal there as well.

Fourth item, research on casino community economic impact, and that involves the Rose contract. Dr. Rose has contracted with us per the discussion that we've had previously, to synthesize the literature on casino economic impacts. I have attached that contract. The scope of work in that contract, I would call your attention to that. It details pretty nicely just exactly what he'll be performing for us. And of course, I could answer any questions you might have about that.

Fifth point, the research on pathological gambling literature, and that is the National Research Council contract. The NRC is of course moving ahead with their work on pathological gambling literature. They did hold their first committee meeting on April 9th and 10th in D.C. And they have an open workshop scheduled on prevalence and ideology for June 1st and 2nd in Irvine, California. Please do let me know if either any of you or your staff would be interested in attending that. It is certainly open to you. I'll be glad to get details to you as to how to get there and where it's going to be. Just give me a call.
on that. I have attached the NRC progress report as well for
your review.

Six, research on Internet gambling, one of the few
major areas that we are still working on and haven't quite
decided how to move ahead with. The Research Subcommittee will
likely be addressing this topic at its next meeting and may
consider contracting for a synthesis of the current literature on
this issue. Needless to say, the testimony that we're about to
hear today will probably guide our thinking in that respect,
maybe give us some ideas for some specific research directions we
might want to take.

Seventh point, I am very glad to report that the
research budget has indeed moved from the red to the black. We
were all concerned with this, wanting to move ahead with what is
really a very aggressive research agenda, very comprehensive
research agenda that we have developed, all of us. We are all
very proud of that research agenda. We were struggling for a
while with coming up with the money to fund it. Well, two things
happened that have helped tremendously and basically moved us
from the projected red into the projected black.

First of all, I have worked for some cooperative
agreements with some of our sister agencies to the tune of about
$300,000 that will be contributed to our research and that is
because the sister agencies would have wanted to research some of
these very areas themselves. They recognize that the work we're
doing is going to be top quality, so they're quite excited in
collaborating with us and helping us to fund this research which
actually saves them money in the long run as well.
And then added to that, of course, is the reduction in the ACIR proposal by $201,000. So you put that together and that was a half a million dollar swing, from the red into the black and we're all very relieved with that.

The collaborating agencies and their research interests I've just listed for you briefly here and would gladly answer any questions you might have. Just briefly, first of all, the Treasury Department which is interested in data on the relationship between gambling and bankruptcy is contributing $150,000 towards our work on that same topic. NIMH which is interested primarily in the co-morbidity, the correlation of pathological gambling with other addictions and depression, some of those very issues that were raised during discussion here recently, will contribute 100,000. And finally, NIDA is interested in the data on the relationship between pathological gambling and drug abuse. They will be contributing $50,000.

Then a final note to end my report, Madam Chair, per your instruction, I have sent off a letter to the Chief of Staff of Governor Miller's office in response to their gracious invitation to work with us, as we advance our work in Las Vegas. I will be in Las Vegas for a conference but we'll also be advancing the work of the Commission, as Nancy reported, and we know of course that they are working hard with their visit facilitation committee. We're looking forward to collaborating with them and gathering ideas to report to you for the use of our time in Las Vegas. So I have sent that letter off per your instruction. I will soon be contacting those other officials who have expressed interest in working with us, Senators Bryan and Reid, Congressman Gibbons and of course, we'll be working with
Commissioner Lanni and Commissioner Wilhelm as well, even though Commissioner Lanni will be in London at the time. I understand I will still be working with his office. And Commissioner Bible.

Madam Chair, that concludes my report. I'd be glad to answer any questions there might be.

CHAIRMAN JAMES: Any questions for Dr. Kelly? Thank you very much.