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COMMISSION ON THE REVIEW OF THE NATIONAL POLICY
TOWARD GAMBLING HEARINGS HELD IN MIAMI, FLORIDA
ON NOVEMBER 24 AND 25, 1975

COMMISSION ON THE REVIEW OF THE NATIONAL
POLICY TOWARD GAMBLING

25 NOVEMBER 1975

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COMMISSION ON THE REVIEW OF THE
NATIONAL POLICY TOWARD GAMBLING

RE: HEARINGS IN MIAMI, FLORIDA

MEMBERS OF THE COMMISSION:

CHARLES H. MORIN, Attorney, Chairman
ETHEL D. ALLEN, M.D., Member
JAMES M. COLEMAN, Attorney, Member
CHARLES F. PHILLIPS, JR., Member
ROBERT TAFT, JR., United States Senator.

ALSO PRESENT:

MISS MARILU MARSHALL, Associate Director.
MR. JAMES E. RITCHIE, Executive Director.

Taken at the U. S. District Courthouse
Building, Central Courtroom, Miami,
Florida.

Monday, November 24, 1975, commencing
at 9:30 a.m.

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CHAIRMAN MORIN: We will call the meeting to order. This hearing will please come to order.

This is the eighth of a series of regional hearings being conducted by the Commission On The Review of the National Policy Toward Gambling.

This Commission was established by the Organized Crime Control Act of 1970.

It came into existence in October of 1972 under the provisions of the Act. Its mandated task is to conduct a comprehensive study of all of the gambling all over the United States and foreign countries, with particular attention to the enforcement procedures and their efficacy, the effectiveness of local laws in controlling and supervising gambling operations.

I must emphasize the Commission is purely fact finding, to make recommendations to the Congress. We are not in the business of enforcing statutes.

Our job is to make first, a comprehensive survey of gambling in the United States and to report the results to Congress and the President.

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It is only natural that this Commission should come to Florida. We have had previous hearings in Chicago, Detroit and Las Vegas, Carson City, Nevada, Phoenix, Boston, Massachusetts, and Philadelphia.

We have extensive legalized gambling operations here in Miami, pari-mutuel racing. You are, I believe, the only state, at least, in which Jai-Alai is conducted as a major gambling operation, and you have had referenda on Miami Beach to ask the citizens of that city whether or not casino gambling should be permitted in Miami Beach.

Therefore the Commission is here to hear from advocates of gambling, and those opposed to it, and other public officials and attorneys, and we are very glad to be here.

Before our first witness, may I introduce my colleagues, my fellow colleagues (indicating).

On my right, Senator Robert Taft from the state of Ohio.

To the left of him, Professor Charles F. Phillips, Jr., Professor of Economics at

Washington & Lee University.

On my left, Dr. Ethel Allen, member of the City Council in Philadelphia.

Then Mr. James Coleman, a prosecuting attorney from Monmouth County in New Jersey.

As you very well know, our first witness will be Governor Reubin Askew of the State of Florida. We are honored to have you here, Governor. Thank you very much for coming, and we look forward to hearing from you.

GOVERNOR REUBIN O'D. ASKEW: Thank you very much, Mr. Chairman.

I would like, first of all, to welcome all of you to the state of Florida.

The weather is a little nippy for us right now, but when it is 40 degrees in Miami it is usually much, much colder in other places.

And I know that many of you are a long way from home, but it is my hope, as Governor, that you will feel at home in our Sunshine State.

We are proud that people can feel at home in Florida. We are proud of what the word "Florida" means to millions of people throughout this nation and throughout the world.

REUBIN O'D. ASKEW
GOVERNOR OF FLORIDA
MIAMI, FLORIDA

We are proud of our green parks and clear lakes, our bright beaches and blue skies. We are proud that people can relax in Florida, and have a good time and enjoy the wonders of nature.

We are proud that people want to visit Florida, that they want to bring their families, and that they want to come back again and again.

These are some of the reasons why I welcome the opportunity to testify this morning before this Commission On The Review Of The National Policy Toward Gambling.

These are some of the reasons why I want to thank your Executive Director, Mr. James Ritchie, and your Chairman, Mr. Charles Morin, for the opportunity to share with you my feelings about gambling.

Others will be testifying today about Florida's experience with gambling, both legal and illegal. I would like to spend my time discussing the most pressing issue facing Florida in this regard: the proposal to amend the Florida Constitution to allow casino gambling in our state.

Federal concern over the use of

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interstate commerce to promote gambling has a long history, beginning in 1890 with the first strong Lottery Law and culminating with the passage of TITLE VIII of the Organized Crime Control Act in 1970.

TITLE VIII represented the first direct federal prohibition of gambling activities. It gave the federal government authority to intervene against certain intrastate gambling activities, and it granted federal jurisdiction over bribery of public officials if connected with illegal gambling operations.

In enacting this law, the Congress recognized that while federal anti-gambling authority had been strengthened, some states were contemplating decriminalization of certain gambling activities, thereby creating the potential for conflict between federal and state laws.

With this in mind, as you all know, the Congress provided in TITLE VIII for creation of this Commission on Gambling. And part of your task as a Commission is to determine the possible results of expanding legalized gambling in the fifty states of our Union.

I frankly think that the challenge is a very important one for this Commission, because I believe we need a national policy.

I think we need to understand what is happening in some of our states, what impact the actions of the state will have on the nation and also what type of policy should be established to help protect some of the states from pitfalls they should avoid. We need to know the facts about gambling and the facts about the consequences of gambling.

I cannot speak for other states. I can speak only for Florida, and as Governor of Florida I am of the opinion that an expansion of legalized gambling would be a tragic mistake. It would destroy the economy of our state.

The Florida of bright beaches and blue skies would be replaced in the national and the international mind by a Florida of dice tables and roulette wheels, of increased corruption and increased crime.

Fewer people would want to bring their families to Florida. Fewer would want to come back again and again. Fewer would be able

to feel at home in our Sunshine State.

These are hard times in Florida. State revenue is down. Unemployment is up. There is uncertainty among our people, an uncertainty that makes our people more receptive to new ways of thinking. There is a willingness, as there should be, to try new ideas because many of the old ideas do not seem to work anymore.

These same conditions prevail in many other states. And, in some of those states, the people have decided in recent years to expand legalized gambling as a means, hopefully, of generating revenue and recovery. They have been told that gambling would prove a painless panacea for all their problems.

For the most part, these experiments in other states have led to disillusionment and disappointment. The revenue produced has been much less than the revenue promised. And the side-effects of expanded gambling have led to serious second thoughts by many of the people in those states.

We do not want to have second thoughts in Florida. We acknowledge the need for

new ideas and new ways of thinking. But, as we look for legitimate ways to improve our economy, we realize that we must confront reality. And we must confront the complexities that have combined to threaten our well-being as a state.

If we ignore reality, and if we ignore these complexities, we will have no chance at all of securing a lasting prosperity. And if, in our frustration and our desperation, we embrace ill-conceived cure-alls and supposedly painless panaceas for what ails us, we are likely only to make matters worse.

There are those who maintain that legalization of casino gambling would help us solve our economic problems in Florida. Some Floridians are willing to ignore the complexities of our predicament and embrace the easy answers that are no answers at all.

Some are anxious to chase after the beckoning rainbow of easy answers and easy revenue that is offered by the smooth-talking supporters of casino gambling. They are supporting a petition drive to place the issue on the referendum ballot in November of next year.

The rainbow they are chasing is a false rainbow. Its colors are crime and corruption and economic disaster, and at the end of that rainbow there is no pot of gold.

The public relations men who are promoting casino gambling in Florida would like the people to believe that my opposition to their pie-in-the-sky proposal is based entirely on moral considerations. It is not.

The gamblers and their supporters would like the people to believe that I am allowing my personal feelings to take precedence over the overall public interest that would supposedly be served by opening up casinos across our state. I am not.

I am opposed to gambling on moral grounds. So are millions of other Floridians. I can remember as a boy watching people in Pensacola gamble away their grocery money at the slot machine in the corner drugstore.

I know what uncontrolled gambling can mean in terms of hunger and poverty and deprivation. I know what it can mean in terms of wasted talents and wasted lives. But there is much more

to my opposition than that. For I know, too, what casino gambling would mean to the economy of Florida.

It is important, as we consider the question of expanding legalized gambling, to be aware of what tourism means to Florida's economy. Even in the midst of inflation and recession, our most recent estimate is that between 25.5 million and 25.8 million people will visit Florida this year. If this estimate proves correct, 1975 will be a record year for Florida tourism, surpassing the 25.5 million visitors recorded in 1973.

More than \$6.5-billion in gross annual income flows into state government and private enterprise in Florida from tourist expenditures. Sixteen percent of all retail sales in Florida is generated by tourism and 23 percent of private employment. . . nearly 500,000 jobs . . . is tourist-related. Through taxes on various goods and services, tourism generated nearly \$305-million in state revenue in 1974. It will contribute considerably more this year.

So, when we speak of tourism in Florida, we are not speaking of an isolated industry

or an isolated interest group. Tourist is a vital source of our prosperity, a prosperity that, as the members of the Commission certainly know, seems all too precarious these days for far too many people.

Legalized gambling would destroy the tourist industry in Florida. And it would not replace tourism as a source of revenue or as a source of jobs.

The millions of people who come to Florida every year do so because Florida is a wonderful place to visit. They can bring their families. They can enjoy the sunshine and the beaches and the parks. They can visit Disney World, which attracted more than 12.5 million people this past year. And they can visit Cypress Gardens or Busch Gardens or the Seaquarium or some other decent and wholesome family attraction.

We are happy to have these people visit us. They make Florida an even better place in which to live and work. I cannot stress too often or too much how important we feel it is as Floridians to make visitors feel welcome in the Sunshine State.

But many of these people would go elsewhere if Florida legalized casino gambling. The Florida Attractions Association, which represents many of the tourist attractions in our state, recently voted to oppose the campaign for casinos. And I think, Mr. Chairman and members of this Commission, that you will find a vast majority of the responsible business and civic leaders in Florida opposing the enticements of casino gambling in the days ahead.

The Board of Directors of the Greater Miami Chamber of Commerce, for example, recently unanimously went on record against casino gambling. Their distinguished President, an able attorney of our Bar, Mr. William Colson, is here today.

Some forms of legalized gambling have been available in Florida for many years. Carefully regulated and controlled pari-mutuel wagering has long been a reliable source of revenue and a familiar source of entertainment in Florida.

Pari-mutuel betting was first authorized in Florida in 1931 for dog racing and horse racing. Jai-Alai frontons were approved in 1935. Taxes were levied on racing and racing

tracks in 1941 and 1955. Harness tracks were authorized in 1963. Quarter horse tracks and summer horse racing were approved in 1969.

Total state tax revenue from all tracks and frontons in the 1974-75 fiscal year was about \$80-million. This included contributions of \$46-million from greyhound dog tracks, \$11-million from Jai-Alai frontons, \$20.4-million from thoroughbred horse tracks, \$2.06-million from harness tracks and about \$200,000 from quarter horse tracks. Overall, pari-mutuel revenue amounted to a little less than two percent of total general revenue for the state.

This pari-mutuel wagering has not proved costly to the economy or the budget of the state. The state spent about \$1.8-million during the 1974-75 season to regulate the pari-mutuel industry. This amounted to only about two percent of what we derived in revenue.

But pari-mutuels in Florida do not merely provide revenue for the state. They support a \$300-million industry that breeds, raises, trains and trades greyhounds and horses. What kinds of industries, I might ask, are supported by casinos.

Mr. Richard Pailot, who is Chairman of the Board of Business Regulation, will be able to provide you with the details of pari-mutuel regulation in Florida. It is my understanding that you will also have the benefit of testimony of various representatives of the pari-mutuel industry, as well as representatives of our law enforcement community.

My point is simply that we have demonstrated over the years in Florida that, within certain constraints, pari-mutuels can be regulated successfully and profitably and at a relatively minimal cost in expenditures to the state.

Pari-mutuel wagering provides for a set percentage of the handle as profit to the track or fronton owners; while a set percentage of the handle returns to the betting public, and a set percentage goes to the state. The amount of the handle is the determining factor, so it is of little consequence which entry wins.

We can assure proper controls and a fair profit in pari-mutuels without exploiting the people or opening the door to crime and corruption. Other forms of gambling are not easily

conducted within the constraints that we employ with pari-mutuels. They are not easily regulated in the public interest. They are subject to manipulation. I certainly am convinced that casino gambling would be subject to manipulation.

The crusaders for casinos, citing the billions of dollars a year now being bet illegally in the United States are asking us, "Why not." But we should ask instead: "Can government build economic strength by catering to the people's weakness? Should government try to exploit the people? Is that any way to help them?"

The answer is "No."

In a report issued last year, a task force sponsored by the Fund for the City of New York and the Twentieth Century Fund concluded: "After considering all the evidence, we believe legalization of gambling will produce relatively small amounts of revenue and will raise it from the wrong people in the wrong way."

Off-track betting was sold to the people of New York as a fiscal cure-all, a magic fountain that would produce \$200-million in tax revenue for New York City its first year, while

breaking the back of crime-controlled illegal book-making.

The task force study concluded that, after four years of operation, off-track betting in New York had not even put a dent in local book-making, that much of its volume represented bets "transferred" from racetracks at greater expense, and that higher tax rates (including a surcharge) had to be obtained to sustain revenue levels.

And it was found that off-track betting had become, not a magic fountain of revenue, but an all too real drain on the resources of an already despairing city. Not counting the racing industry's share of the off-track handle, off-track betting spent \$57-million on overhead during the fiscal year ending June 30, 1974, while generating only \$42-million in revenue for the city.

There are still other examples of the false promises of the gamblers and their misguided allies. The State of Iowa earlier this year outlawed the bookmaking offices and blackjack games that had plagued that state since it legalized gambling two years ago. The results of the experiment there were about the same as in New York.

As Iowa Attorney General Richard Turner described those results shortly after his state abandoned its ill-fated experiment last June: "There were high stake operations in at least a dozen places and the housewives were raising h-e-l-l with the sheriffs because their husbands were running over to the beer joints on Fridays and losing half their paychecks."

I cannot help but believe that the results of such experimentation would be the same in Florida. The costs we would pay in smaller paychecks and larger welfare rolls, in broken homes and in broken dreams, would far outweigh any short-term benefits we might derive in profits or revenue.

And I am convinced that casino gambling would do little more than drain profits and tax dollars from the pari-mutuel establishments we already have in Florida.

Do we really want to risk the loss of this reliable pari-mutuel revenue? Do we really want to endanger a stable industry on behalf of one that promises to be unstable at best?

We might do well to read between the lines of the petition being circulated in this

state by the advocates of casino gambling. What, I would like to know, is a "casino"? The petition offers us no definition.

As proposed, it would not be limited to glittering pleasure palaces for the wealthy and elite, as the smiling public relations men would have us believe. A casino, as far as the petition is concerned, could be a dice table in the back room of a bar. It could be a slot machine in the candy store across from the local high school, or perhaps in the corner drugstore.

The proponents of casino gambling say that their panacea would be "under supervision of a state regulatory and enforcement body." Yet their petition does not specify what this body would be. Conceivably, it might be only the County Sheriff, who is already far too over-burdened with law enforcement responsibilities in many parts of the state. Or would the gamblers and their supporters choose to leave the matter of regulation and supervision to the lonely cop on the beat? There is no way to tell from their vague and ambiguous petition.

As we consider this issue of casino

gambling, we should be aware of the history of Florida. This state had legalized slot machines for a few years in the 1930's and what happened is a matter of record. Besides the slot machines, which were in evidence everywhere, dice and poker tables run by professional gamblers transferred hard-earned spending money from people's pockets to out-of-state gambling syndicates.

As a researcher for this Commission wrote in a recent interim report, "The mob soon offered any action the players wanted -- numbers, slot machines, casinos -- and operations were expanded to include the tourist trade in such popular resorts as Miami, Hot Springs, Atlantic City, and Saratoga. It was not long before organized crime succeeded in establishing monopoly control over gambling."

In time, the scandal grew so widespread, and the people of Florida suffered so severely, that, as an editorial writer for the Orlando Sentinel Star recently recalled, "The entire state breathed a sigh of relief when the Gambling Law was repealed in 1933 over the opposition of the syndicates. A pro-gambling vote in

the Senate," the editorial noted, "was worth \$50,000 that year."

The people running for Governor in 1936 had to line up to be against gambling because of the problems that were caused by the slot machines and the other varieties of gambling that flourished in the state.

We do not want such scandals in Florida again. We do not want the loan sharks and the confidence men and the shady seekers of the easy buck. We do not want the syndicate buying and selling votes in our Legislature.

Let me quote a little more from the Sentinel Star editorial. "The simple and well-known fact," said the editorial writer, "is that legalized games of chance corrupt, whether they're played in ornate palaces or at the rows of slot machines in tawdry bars, they are too often controlled by the unscrupulous and exercise a get-rich-quick hypnotism on people who can least afford to throw their money away.

"The result is, state and local government officials are bought, corruption is rampant, families are impoverished and ordinary citizens

must learn to live in an undesirable environment."

And just how many tourists . . . from Latin America, Europe, from Canada or Mexico, from Syracuse or Des Moines . . . would want to visit such an environment? How many of their children could they bring? How long would they stay?

The answer is . . . not very many. And not very long. The average stay of a tourist in Florida is now 12 days. In Las Vegas, where virtually every price the tourist has to pay is less than the prevailing price in Florida, the average stay is only about four days. Surely this must mean that Florida has something more to offer people than roulette wheels.

Do we really want fewer people to come to Florida? Do we really want them to stay for only a few days? Do we really want Florida to become like Las Vegas?

I cannot believe that allowing casino gambling only on a local option basis would limit legalized gambling in Florida, though this is what some have suggested.

The gamblers and the well-financed

THE BOARD OF DIRECTORS
THE FLORIDA GAMING BOARD
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campaign they would conduct would probably deceive many local communities into believing that casinos would solve all their problems.

And I cannot believe those who are saying that casino gambling would mean more tourism in Florida, and not less.

I believe instead the words of Maximilian Wolkoff, one of Florida's few real experts on the subject of casino gambling, and a man who generally favors casino gambling. But he does not believe it would work in Florida.

"I haven't seen a single plan for legalized gambling that wouldn't absolutely destroy the state of Florida," Mr. Wolkoff was quoted as saying in a recent article in the Tampa Tribune. "I couldn't vote for any of the gambling plans thus far proposed."

"The proponents of legalized gambling have a pretty simplistic view of the field," he continued. "They're saying things that sound good, but which just aren't true. I don't think they know that they don't know what they're talking about, but they don't."

Studies have shown, according to

Mr. Wolkoff, that 63 percent of all the tourists in Las Vegas are men, that 41 percent of the couples visiting that city do not take children along with them, and that the fabled convention business there accounts for only one percent of the tourist trade.

Casinos will not attract more conventions to Florida. Casinos will not bring us more families on vacation . . . or the money that families spend while they are on vacation.

If we really want to attract more tourists to this state, we should invest our money and our imagination in providing better entertainment, better facilities, a better climate for recreation and relaxation, and better hospitality.

In a city such as Miami Beach, this means providing a more flexible and more durable economic base. It means a continued effort to restore the beaches along the Atlantic shore. It means greater efforts on the part of both the city and the state to encourage an international tourist trade that remains largely untapped as a potential source of profits and revenue and jobs.

I will be going to South America

for a week next month as part of a trade and tourist mission from Miami to our neighbors on that continent.

I believe we can expand trade and tourist between Florida and the nations of South and Central America. We can expand our opportunities in Europe and Canada and Asia as well. But we cannot succeed in these efforts if we are needlessly lured into what would surely amount to a shortlived honeymoon with casino gambling.

Floridians can offer tourists our smiles and our sunshine. We can let them know they are appreciated and that we want them to come back to Florida as often as they can.

We can offer people the experience of Florida. And I can think of no better attraction in all the world.

And what about all those delusions of revenue? Have the proponents of casino gambling bothered to mention that we are already taking in more revenue from carefully controlled pari-mutuel wagering in Florida than is collected from the casinos in Nevada?

The approximately \$80-billion that

we collected from pari-mutuels in Florida last year was considerably more than the \$64.7-million collected in Nevada from gaming licenses and fees on both the county and state level and from the State Casino Entertainment Tax during the 1973-74 fiscal year.

Have the supporters of the casinos bothered to explain the high costs of regulating casino gambling or the high costs of paying enough policemen to protect the people from the results of this kind of gambling?

Last year the state government in Nevada spent \$7.3-million for public safety and gaming regulations . . . a total amounting to 5.3 percent of the Nevada State Budget.

If we had to spend 5.3 percent of our state budget in Florida in that way it would cost the state about \$116-million. Who do the soothing sirens of the casinos expect to pay these and other costs? I'll tell you who would pay . . . the people would.

And how do the supporters of casino gambling explain the failure of their panacea to work its magic in places where it has already

been tried?

Just a few miles from the coast of Florida, casinos in the Bahamas are in serious financial trouble. Casinos have been a failure in Haiti. Casinos have been a failure in the Dominican Republic. Casinos have been a failure in Porto Rico.

The independent government of the Bahamas did not introduce casinos to the Islands. They inherited the casinos along with independence. The citizens of the Bahamas are not allowed inside the casinos there, and the new government does not advertise the casinos.

Can you imagine us having casino gambling in Florida, but saying, "As a resident of Florida, of course, you cannot participate".

A member of my staff talked with the Deputy Prime Minister and Minister of Finance of the Bahamas, Arthur W. Hanna, last week.

Mr. Hanna said that his government considers the containment of casino gambling to be its first duty to the people. Legislation is being prepared now to more strictly regulate existing casinos in the Bahamas and prohibit the further

expansion of casinos throughout the Islands.

The Deputy Prime Minister said, and here I am quoting him with his permission, "We have no plans to abolish casinos. We are stuck with them. But, if we had been in power when casinos were introduced in the Islands, we would not have had the intention of introducing them."

Casinos have caused serious problems in the United States as well. During the 1960's, Charles County on the Eastern Shore of Maryland embraced casino gambling.

It became for awhile a miniature Las Vegas, with a palatial riverfront casino and slot machines in every filling station and grocery store.

Errett Peter of the Orlando Sentinel Star remembers the initial enthusiasm of the people of Charles County for the casinos. He visited the county twice during the early sixties.

"It was a time of great prosperity," he recalls. "Motels opened by the dozen and business appeared to boom. We watched perspiring housewives and school teachers stand in line to pump coins into the one-armed bandits."

But that was a decade ago. Several weeks ago Mr. Peter visited Charles County again. He wanted to see the long-range effects of the casinos. He wanted to determine whether he and other Floridians should believe the promises of the casino advocates. He was astonished by what he found.

"Today Charles County is a disaster area," Mr. Peter says. "The casinos still stand, but the weathered buildings have "For Sale" signs tacked to them. Grass chokes the parking lots. Businesses of all kinds are boarded up. A once posh motel at the county seat has been converted into a produce and flea market. Unemployment is high and would be worse if so many people hadn't moved away."

We must not make Florida into another Charles County.

We must not chase rainbows in the Sunshine State.

We must not waste our energies on fantasies and false promises.

We must not believe that there are simple answers to the complex problems we face as

people.

The answers are not simple at all. But they can be found. Expanding and diversifying the economy of Florida is one answer. Expanding and diversifying our tourist markets is another.

There are other answers as well, answers that must be found in reality, and not in rainbows.

I believe that we can find the answers we need in Florida in the days ahead. We can make Florida an even better place in which to live.

And it is my hope, ladies and gentlemen of this Commission, that you will come back to Florida, to the sunshine and the beaches and the blue skies, and that you will come back to a Florida without casino gambling. Thank you.

I would be happy to answer any questions from any member of the Commission.

CHAIRMAN MORIN: Thank you very much, Governor.

I was going to ask you, I would like, before the questioning, to emphasize that the tenure of the questioning should not be taken by

anyone here, I know that the Governor will not, as indicating any pre-disposition on anyone's part, particularly since the State of Nevada has no spokesmen here today.

Some of the questions may tend to lead you to believe that we are favorably disposed to casino gambling, but it is not necessarily so.

It is not unusual for us to talk to officials in states in which there are legalized pari-mutuel betting operations which have been successfully and honestly operated without a scandal and find them opposed to casino gambling.

And I perhaps missed it in your statement, Governor, but I wonder if you could perhaps spell out a little bit more specifically what there is about casino gambling operations which leads you to fear it more than a pari-mutuel betting operation.

GOVERNOR ASKEW: With pari-mutuel, as I mentioned in my remarks, the only way the owners of the establishment are going to make money is in the volume, in the handling, in the turnover, because they only get a certain percentage. This is not true with casinos. Casino gambling, by its

very nature, would permit manipulation. Also once you start getting into casino gambling, how do you limit it? How do you try to distinguish it? How are you going to be able to control it?

I frankly have not seen any instances where casino gambling has been particularly productive. The only place we really have it to any extent now, of course, is in Nevada, in Las Vegas and Reno. But Nevada is an isolated case. More pertinent to Florida, I think, is the Caribbean experience. And that experience, as I said before, has not been very encouraging.

In Florida we have had a long experience with pari-mutuels. We have been conscientious in regulating the pari-mutuel establishments.

From time to time you may find less desirable people to become involved in pari-mutuels. But the situation with pari-mutuels is a far cry from what we would have with casino gambling.

Moreover, how do you say that you can have casino gambling without slot machines? What is a slot machine other than an automated casino? And what is a casino? Are we going to say with casinos, "Yes, you must have a blackjack game.

You must have a dice table? You can have all these things, or only one." Where do you draw the line?

We can raise all kinds of questions, but I simply do not believe that it is in the interest of Florida to try to go beyond the pari-mutuels where we have been able, at least, to assure regulation in a fair and effective way.

CHAIRMAN MORIN: I am going to yield to Senator Taft in a moment.

Let me suggest that your argument against casino gambling in the context of being destructive to the tourist industry in the state leads me to ask you if you believe the decision should be made by the state, by the federal government for you, or by the cities or counties?

GOVERNOR ASKEW: Well, I believe that the basic decision is one that should be made by the state.

I would not preclude the possibility, that there might be a local option matter involving the introduction of, say, a Jai-Alai fronton.

But I believe, Mr. Chairman, that this country should not get into the absurd position it did last year, when the Attorney General said

that he was going to prosecute the other Attorneys General in the states because of the inconsistency of the state lottery laws.

I think the counties have to face the basic issue on the question of gambling . . . how are you going to control it, and how much do you want to depend upon it?

Because why should the government appeal to people's weaknesses? Yet that is essentially what we are doing for purposes of an economic base.

Several states now have lotteries. So they have started competing with each other. And the lotteries have now reached the point where they are advertising. They are appealing to people, "Don't pick up your change at the supermarket, get it in tickets."

This is a bad situation. And it is not reducing illegal gambling at all. I believe your own research has indicated that, in New York, the people who are becoming involved in off-track betting are people who wouldn't have otherwise gone to an illegal establishment to place a bet.

We are not controlling gambling. We

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are encouraging gambling. And the results are appalling.

CHAIRMAN MORIN: Excuse me.

GOVERNOR ASKEW: I do not think this is what a government should be doing . . . not at all.

CHAIRMAN MORIN: At the present time, of course, this is largely up to the states to decide for themselves.

And I infer you would approve that to be the case?

GOVERNOR ASKEW: Well--

CHAIRMAN MORIN: Rather than have the federal government intervene?

GOVERNOR ASKEW: I believe that it is a valid area for federal legislation, Mr. Chairman, to determine where the federal government, itself, might want to prohibit it.

Because how can you really get into much volume in terms of gambling, without being involved in interstate commerce or the effects upon it.

There must be a middle ground. It will be reached, I would think, to where, at least

in certain areas, a state could be able to act. But I certainly would not preclude the possibility that the federal government, by federal law, might prohibit certain forms of gambling.

CHAIRMAN MORIN: I yield to Senator Taft.

SENATOR TAFT: Thank you very much. Thank you for your testimony, Governor, very interesting.

Have you had any problems in Florida with lottery?

GOVERNOR ASKEW: Not in modern times, sir. No, sir. We have had some efforts to try to have a lottery introduced into Florida, but they have not been successful.

SENATOR TAFT: Do you think that is a legitimate effort of raising revenues for the state?

GOVERNOR ASKEW: If they pass it by law, Senator, it becomes legitimate. But I certainly would not favor it.

I do not believe that the lotteries in other states have produced the revenue they were supposed to produce.

As you know from the research of this Commission, the expense of lotteries, and of promoting them, has been great, while profit to the state has not been that much.

I cannot really see a lottery coming into Florida.

SENATOR TAFT: Governor, do you have any idea on the people, or volume or business volume in the Bahamas of the casinos there?

GOVERNOR ASKEW: I am sure there is some, but I do not think that they are losing a great deal to the Bahamas.

Miami Beach, right now, is having a very tough time, Senator, and to a significant extent the support for casino gambling in Florida comes from those who believe casinos may be the only thing that can save the Beach.

I just do not believe that to be true. There are other far better ways to try to build prosperity for Miami Beach other than that.

But when you look at the Bahamas, when you listen to Deputy Prime Minister Hanna, you think of Puerto Rico. I can assure you we would be better off in Florida not having casinos than trying

to compete for the casino trade.

You know, 25.8 million people is a substantial number of people, the most we have ever had visit Florida.

Several years ago when I was a member of the Interim Committee on Finance & Taxation in the State Legislature, in 1959 and 1960, we took a survey and asked those we surveyed to list the reasons why they came to Florida.

If I recall correctly, gambling finished about eleventh. There are other reasons why people come to Florida.

SENATOR TAFT: Is there illegal bookmaking going on in Florida.

GOVERNOR ASKEW: Illegal?

SENATOR TAFT: Yes.

GOVERNOR ASKEW: Yes, sir, there certainly is. We have a statewide Grand Jury right now that has returned approximately 300 indictments in an effort to attack the problem. There is probably some illegal gambling in Ohio, too.

SENATOR TAFT: We are going to have some hearings next month. We hope to find out.

GOVERNOR ASKEW: You undoubtedly have

your share, too.

SENATOR TAFT: In connection with that bookmaking that goes on, where are the bets laid off?

GOVERNOR ASKEW: I would much prefer that you address those questions to Mr. Jack Key, who will be testifying for the Department of Criminal Law Enforcement tomorrow. He may be able to give you a little better information than I can about bookmaking in Florida.

SENATOR TAFT: In your opinion is there corruption, in a substantial degree, in connection with your pari-mutuel either horses or dog racing?

GOVERNOR ASKEW: Would you repeat that question?

SENATOR TAFT: In your opinion is there any corruption in Florida, any substantial corruption in Florida, in connection with your pari-mutuel operations?

GOVERNOR ASKEW: I know of no substantial corruption, sir. We obviously, from time to time have some problems with it, but I do not see that there is any evidence of any corruption now.

SENATOR TAFT: You regulate it through a State Racing Commission?

GOVERNOR ASKEW: We regulate it through a Board, the Board of the Department of Business Regulation, whose Chairman, Mr. Pallot will be testifying fairly shortly.

The pari-mutuels are closely regulated, and frankly, we have had a fairly good experience with them.

SENATOR TAFT: Do you believe that casinos would drain off profits from pari-mutuels, I believe from your testimony?

GOVERNOR ASKEW: I am sure that will be the case. Certainly many of the pari-mutuel people feel that they would. But frankly, that is one of my secondary considerations in opposition to casinos.

Nevertheless, they would have that impact, Senator, and they would also drain off profits from everything else.

SENATOR TAFT: Thank you.

Thank you, Mr. Chairman.

CHAIRMAN MORIN: Dr. Allen?

DR. ALLEN: Governor Askew, let me

also say thank you very much for a very enlightening testimony.

I would like to ask a question: Does Florida have bingo?

GOVERNOR ASKEW: Yes.

DR. ALLEN: Is it legalized or non-legalized?

GOVERNOR ASKEW: Well, it is legalized up to a certain point. If I had my way, it would not be.

DR. ALLEN: Could you explain to me, by "up to a certain point," sir?

GOVERNOR ASKEW: Well, I think you are only allowed on a non-profit basis and only with the sponsorship of certain organizations. Also, there are restrictions where the size of the games is concerned.

I do not remember the exact amounts, Doctor Allen. You can only have a pot so big in any one sitting.

Frankly, I am opposed to bingo because I think bingo is a game that is very, very subject to exploitation and manipulation.

DR. ALLEN: I noted in your testimony

you said that Mr. Wolkoff was quoted as saying in a recent article in the Tampa Tribune, that he could not vote for any of the gambling plans thus far proposed.

Is it your considered opinion that his feelings are expressed that way because the petition for casino gambling is relatively non-specific as opposed to being--

GOVERNOR ASKEW: That I do not know. But the point is, he is a man who is for casino gambling, and, at least in the current petition efforts, he said he could not support it.

I thought that was interesting. I have never met the gentleman, but he is, as I mentioned, a supporter of casino gambling.

DR. ALLEN: I noted you drew a parallel between Puerto Rico and some of the South American countries and the Bahamas relative to their lack of success with casino gambling.

Does their regular tourism rival that with the State of Florida?

GOVERNOR ASKEW: No, I would not think so.

DR. ALLEN: Do you think that would

be a base, then, for their lack of success relative to casino gambling?

GOVERNOR ASKEW: When I say "lack of success," I mean it has not worked out at all like they thought it was going to work.

I think sometimes people take a shortcut and they think that the shortcut gambling is just going to help bring in a lot of people . . . and remove the necessity for improving service or facilities.

That is what some of the Islands have sought to do, and they simply have not been successful in that regard. The results are sometimes not very happy results.

Could you list on Nevada--you say correct or if I am wrong--is not prostitution legal in Nevada?

DR. ALLEN: Every place except Las Vegas.

GOVERNOR ASKEW: I understand it is sort of on a local option basis, you know.

But the point I am trying to make is that when you start getting a lot of people in who are the cheaters and operators and confidence men,

there is no telling where it all will stop. Florida, I think, has enough problems with some illegal forms of gambling now without inviting additional problems.

I flew through Las Vegas a year or two ago, and got off at the airport to get a newspaper. I was amazed to find penny slot machines. That's not what we want for Florida.

I think somewhere along the line one of the challenges of this Commission might well be . . . what about the people who are left over from all this gambling? What will we have to do to try to rehabilitate people's lives, and help their families and control the welfare rolls if we yield to those who are promising us the glitter and the glamour of casinos?

DR. ALLEN: Thank you, Governor.

CHAIRMAN MORIN: Mr. Coleman, from New Jersey.

MR. COLEMAN: Thank you, Mr. Chairman. I appreciate your remarks about New Jersey. The question was defeated on the ballot in 1974.

Governor, in your opinion, it is basically being attracting tourism and economy,

thereby hurting the state.

Assume for a second the residents on the pari-mutuels, you have stated 80 million, the four percent of your total revenues would be significant enough, so to speak, to tell it to the public if it should get on the ballot?

GOVERNOR ASKEW: I have no basis to know if your assumption is correct, Mr. Coleman, in terms of what is produced by it.

I think for every dollar that is produced we are going to have to wind up paying a lot more money in the long run.

If you introduce this type of gambling, how can you control it? How can you say it is only a plush hotel in a big area?

Whatever amount that it brings in, I just feel it is going to wind up costing the state a lot more in the end, because people are going to wind up paying a lot. And the people paying are going to be people who cannot afford to pay.

When I was in the service, I visited Monte Carlo. That was many years ago, in the early fifties. I walked in thinking it was going to be this big, romantic place with men in tuxedos and

women in expensive evening gowns. For the most part, it was old people, mostly women, just throwing their money away.

And I remember, too, as a boy in Pensacola, watching them line up in a drugstore to throw their money away in the slot machines.

So I think the introduction of casino gambling, not only in and of itself would be wrong, but it would be very hard to see how we could contain the expansion from there to other forms as we have been able to contain it in pari-mutuel. And whatever it brings in, I think it would be expensive.

MR. COLEMAN: One final question: The proposed legislation to get it on the ballot, if it then were passed, then of course it would be subject to further legislation as to how the state would run it; is that correct?

GOVERNOR ASKEW: Yes, that is true.

MR. COLEMAN: Thank you very much, Governor.

CHAIRMAN MORIN: Mr. Phillips?

MR. PHILLIPS: Governor, thank you for your statement.

I would like to pursue with you for just a minute the topic that our Chairman raised a few minutes ago:

Is it your position that each state should decide how much gambling will be legalized, as opposed to the federal government making that decision?

GOVERNOR ASKEW: Well, Dr. Phillips, let me respond to that in a way that may seem self-serving to you, but it is one for which there is an historical basis.

Pari-mutuel has been the one type of wagering that has been, I think, successfully conducted in the United States with less harmful impact than any other.

But I think beyond pari-mutuel, and possibly even a state-run lottery, which I do not support and would oppose for Florida, there really is a real question in my mind as to whether or not it ought to be permitted.

Obviously, if you pass a federal law, the greater the chances are that you are going to wind up grandfathering in Nevada, which is the only state where you really have legal casino

gambling to any extent.

So I think it is only going to be a simple question: Is the federal government going to preempt the entire field?

Beyond pari-mutuel and possibly a lottery, I believe that it certainly is an area that the federal government, itself, could address.

Because in the end, Dr. Phillips, as you know, being an economist, the final result is going to be that the federal government will have to take care of the people who are hurt, the lives that are wrecked on welfare and otherwise as a result of what is left over.

So this country does have a national interest in gambling . . . because this country, in the end result, is going to pay the bill.

MR. PHILLIPS: Thank you.

CHAIRMAN MORIN: Governor, we deeply appreciate your coming. I know it has been a long hour for you in taking time away from the state.

Does the staff have a question? I neglected to call upon Miss Marshall.

MISS MARSHALL: Governor, just two

quick questions: First of all, I know Florida is in the enviable position of being one of those states that does not have the state income tax.

Due to the economic difficulties in the state, is there a potential for a state income tax?

GOVERNOR ASKEW: No, I think we would be looking to other forms of expanded revenue other than the state income tax.

It is prohibited by the Constitution, as is casino gambling.

MISS MARSHALL: The only other question I have concerns the--

GOVERNOR ASKEW: Let me say this: I do not look upon casino gambling as a productive source of income. Also, I do not think lotteries have been that productive.

MISS MARSHALL: New York City off-track betting not only takes wagers on races run in the State of New York, but also on races in other states.

And we other local tracks here in Florida; namely, Calder and Hialeah, have entered into contractual agreements with New York City

off-track betting.

Do you have a position, sir, on that issue?

GOVERNOR ASKEW: Well, of course, that is the trend for OTB. We do not permit off-track betting in Florida, but they contract directly with the race tracks for the use of it.

Mr. Pallot, who is the Chairman of that Board, will be able to respond to that, really, a little better than I can.

It does not affect Florida, but it provides some income to the tracks themselves by that arrangement.

MISS MARSHALL: Thank you, Governor. As a native Floridian I can tell you I am very glad to be back in the sunshine.

GOVERNOR ASKEW: Thank you very much. Let me just thank this panel, because I know that all of you have busy lives, and you could be doing something else other than taking the time that you are taking in this effort.

But you must not underestimate the importance of the assignment before you.

I respect the work of this Commission.

W. J. ASKEW, GOVERNOR

MISS MARSHALL, CHAIRMAN

MISS MARSHALL, CHAIRMAN

I have very carefully followed the work of this Commission. I think that it is important to try to get a handle on gambling, to understand what is happening to our people.

That is essentially the charge of this Commission. And, thus far, I think it has done an admirable job in trying to determine facts. That is exactly what we need, and we do not really have it now. That is why I thank you for your willingness to travel throughout the country and conduct these hearings.

Obviously there are differences of opinion to be heard, so you can fulfill your responsibilities to the law and make recommendations that will be helpful to us all.

CHAIRMAN MORIN: The next witness is Mr. Falot. The Board of Business Regulation regulates the pari-mutuel horse racing, land sales industry, the alcoholic beverage industry, and the hotel and restaurant industry. I think this board is the most important regulatory agency from in the state.

I just thank you deeply for coming.

MR. RICHARD A. FALOT: Thank you

very much, sir.

Mr. Chairman, members of the Commission.

Actually I am pleased to be able to participate in this proceeding and to offer testimony relating to the regulation of those gambling industries in Florida that have been legalized by Florida law.

All legalized gambling in Florida, with the exception of bingo, which is permitted under certain conditions, is regulated by the Department of Business Regulation through its Division of Pari-Mutuel Wagering.

Florida has a unique regulatory structure which came into being when Florida's Constitution was revised in 1968. Several hundred agencies were combined into 13 departments, one of which is the Department of Business Regulation which, in addition to regulating the pari-mutuel industry, as your Chairman just pointed out, also regulates the alcoholic beverage industry, the hotel and restaurant industry and several others.

The head of the department is a five-man Board which is appointed by the Governor

and confirmed by the Senate of Florida. The five members serve with no compensation other than reimbursement of expenses.

The Department of Business Regulation has been characterized as being analagous in structure to a business corporation of the conglomerate nature. The Board of Business Regulation being similar to the corporate Board of Directors--the Department's Executive Director being similar to the corporate President--and our division directors being similar to the corporate Vice-Presidents in charge of a major division of the corporate business.

One of our major divisions, of course, is our Division of Pari-Mutuel Wagering. Its Director, Mr. J. Patrick McCann, will be addressing you at the conclusion of my remarks, and is seated to my right (indicating).

The Board of Business Regulation (the five-member Board I previously referred to) is somewhat different than the typical corporate Board in that it acts in quasi-legislative, quasi-judicial and quasi-administrative capacities. Examples of the three are:

Quasi-legislative capacity: The Board may adopt rules on its own motion, and it can review and change proposed rules being promulgated by any of its divisions. Under Florida's new Administrative Procedures Act, rule changes, where contested by affected industries, may be the subject of even further administrative review.

Second: Quasi-judicial capacity: The Board hears appeals from all divisions and is, in that sense, the final administrative forum. Jockey suspensions, et cetera, may be appealed to the Board of Business Regulation.

Third: Quasi-administrative capacity: An example of that is that the Board, by statutory mandate, has original jurisdiction in the area of awarding racing dates, which, in Florida, I might add, has been a very controversial subject for the last several years.

Florida has no Racing Commission. It went out of existence, I believe, in late 1971. However, the Legislature has structured several Advisory Boards, committees or councils, and the Board itself has the authority to appoint advisory committees or councils. This enables the Board

and the division directors to call upon experienced people with expertise in various areas that we might be concerned with.

In existence at the moment in the pari-mutuel area alone are four different committees.

First we have a Thoroughbred Advisory Committee. This is a statutory committee with five members representing various segments of the thoroughbred industry such as the Horsemen's Benevolent Protective Association; the breeding industry; thoroughbred owners; jockeys and trainers.

We also have in existence a Thoroughbred Study Committee composed of legislative, industry and executive branch representatives.

We also have a Grayhound Study Committee composed of legislative, industry, academic and business community representatives.

As you may know, we have had some disturbing problems in the grayhound industry during this year between track owners and grayhound owners resulting in strikes and various other problems.

Fourth we have a Horse Racing Trust

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Study Committee structured by the Legislature which is presently studying the feasibility of quasi-governmental ownership of one or more of the state's thoroughbred operations (This is not the New York Racing Association approach where the ownership vehicle is a non-profit corporation.)

In my opinion, the system being used in Florida is working well. I intend to explain why I say it is working well, but first, I ought to explain the scope of our pari-mutuel industry in a little more detail:

In the fiscal year July 1, 1974, through June 30, 1975, which is the fiscal year Florida reports on, approximately 16,200,000 people wagered approximately \$1,156,000,000, which produced as a result of the tax on handle and attendance over \$30,000,000 in direct state revenue.

Florida has issued 26 pari-mutuel permits which are operated at 33 plants throughout the state as follows:

We have 17 grayhound racing permits in existence, and these are operated at 17 different grayhound plants.

We have five thoroughbred racing

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permits which are operated at four different thoroughbred tracks.

We have nine jai-alai permits which are operated at nine separate jai-alai frontons; two harness racing permits operating at two harness racing tracks; and three quarter horse racing permits operated at various tracks. They operate both harness and thoroughbred racing.

The above operations created approximately 4,433 pari-mutuel performances in the last fiscal year causing Florida to out-distance by a considerable amount any state in the country in this category.

Florida has more grayhound tracks, for example, than all of the other states combined. Our grayhound racing tracks accounted for a handle of approximately \$635,000,000 last year. Our jai-alai industry also has more establishments than all of the other states combined, and accounted for a handle of approximately \$240,000,000.

Our thoroughbred industry accounted for a handle of approximately \$272,000,000. Harness racing \$20,000,000 and quarter horse racing \$5,000,000.

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These figures, of course, were our figures for our fiscal year ending June 30, 1975.

Expressing these figures in percentage terms, approximate percentage terms of Florida's total pari-mutual handle, greyhound racing accounted for 55 percent; jai-alai 18 percent; thoroughbred racing 24 percent; harness racing 3 percent and quarter horse racing 1/2 of 1 percent.

The Division of Pari-Mutuel Wagering issued approximately 31,000 occupational licenses last year. These are licenses to people who either own animals that race at the various thoroughbred tracks, or greyhound tracks, or that work in and about a racing track or fronton.

I ought also to point out that we permit no Sunday racing in Florida, and attendance is limited to adults (over 18 years of age.)

In addition, the Governor mentioned this in his remarks, these industries support subsidiary industries, an example of which is our thoroughbred breeding industry.

Florida is the situs of some 150 thoroughbred breeding farms with real estate valued in excess of 100 million dollars. Florida now

ranks third in the United States in producing foals and is presently surpassed only by Kentucky and California. The payroll at our breeding farms exceeds 7 million dollars per annum.

The scope of the pari-mutuel industry in terms of total figures regarding attendance and handle has been growing year after year. Each year Florida has set new records. For example:

Fiscal year ending June 1973 compared to previous year: Our attendance was up 7.7 percent; our handle was up 13.1 percent.

For the year ending June 30, 1974, compared to the previous year, attendance was up 9.6 percent; handle up 11.7 percent.

For the fiscal year ending June 1975 compared to the previous year: Attendance was up 7.5 percent; handle up 5.3 percent.

I have distributed copies that I hope each of you have of our Department's 44th Annual Report which contains considerable factual information about our total pari-mutuel industry.

One might conclude from the facts just enumerated that all is well regarding the financial condition of our pari-mutuel industry.

Such is not necessarily the case.

We have had and do have a number of problems. To touch on some of the problem areas, (and I am only going to touch them lightly since some constitute a rather complex subject with considerable background and which have received considerably publicity over the past several years,) I will state certain facts that I believe to be true, and certain opinions that are my own opinions.

First--Florida collects taxes on handle under a number of different tax formulas; that is, these taxes that produce the \$80,000,000.

As a matter of fact, we collect them under nine different tax formulas. These formulas have not changed materially since their enactment many years ago.

I think the Governor reiterated the dates on which so many of these laws came into existence.

Conditions have changed--some segments of the industry have been quite prosperous, other segments have not. However, the tax structures have not changed.

For example, Florida winter thoroughbred race tracks pay the highest tax rate, which is 7 1/2 percent of the handle; greyhound tracks pay 7 percent, jai-alai frontons pay 5 percent.

Coupled with this is the fact that the state really does not know how much profit each track or permittee makes in all instances from its pari-mutuel activity.

We do require that each permit holder file a certified balance sheet and profit and loss statement, but we did not, until the 1975 session of the Legislature, require a uniform system of reporting, and we do not have results pursuant to that system as yet.

The problem we ran into on these financials was that even though they were certified, a corporation or partnership or other entity that owned a track or fronton could, and many did, commingle non-pari-mutuel related assets on their balance sheet.

This, of course, impacted the profit and loss statement either plus or minus, depending on the facts, and it made it difficult, if not impossible, to determine such things as profitability

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to the owner of the permit of the pari-mutuel operation.

Of course, until we have that information at hand, it is difficult to concretely justify a change in the laws.

Florida, with this uniform reporting system, now has improved tools, I believe, to keep it on the right track, if only to substantiate that what we have been doing tax-wise is fair and accurate. I do feel, however, some changes will be warranted.

All of the above was coupled with the fact that our winter thoroughbred industry was not enjoying the growth rate in handle and attendance, and maybe profit, of many of the competing pari-mutuel industries.

Our Board, in 1972, commissioned the accounting firm of Haskins & Sells to do a study, which they did, which confirmed but did not resolve the fact that inequities and problems seemed to exist.

In the fall of 1974, which I think most of you are aware of, Hialeah Racing Association, Hialeah Race Track made its announcement of its

intended sale and the demise of the facility.

With that backdrop, members of the Legislature, the executive branch of government; that is, the Department of Business Regulation and the Department of Administration, and members of the industry worked together toward development and passage of several laws by the Legislature this year which, I believe, is having and will have a positive effect. The legislation involved two areas.

First of all, the adoption of a uniform reporting system regarding the permit holders' financials, so that government will have the facts available to it to insure a flexible tax system that will be equitable to the public, the permittee, those industries that support the permittee, such as owners, trainers, players, et cetera, and thereby stabilize and hopefully strengthen the entire industry.

(2) The Legislature passed a Thoroughbred Industry Relief Bill (limited to a two-year period) resulting from a recognition that our thoroughbred racing industry needed immediate assistance until some long range solution could

be formulated.

This bill involved an extension of 24 days which were added for our winter thoroughbred season, and an approximate five million dollar purse improvement package.

The relief is being funded by a 4 percent increase in the "take out" of every dollar wagered in almost all of our pari-mutuel establishments.

Actually the "take out" which, in a pari-mutuel sense, is the amount deducted from the wager pool that is not returned to the bettors increased from 17 percent to 17.4 percent.

The above are but a few examples of what has been taking place in Florida in the past several years.

In conclusion, a few more comments:

(1) I think that it is important to have and to support a regulatory system that can be responsive with timely solutions to the problems that arise. Problems differ from state to state. They even differ as to geographic areas within this state.

And we even had a new problem arise,

for example, in the last several months as I referred to earlier, in our Greyhound industry whereas for the first time in many, many years we have a situation wherein the handle is down.

(2) The "regulators" from the policy making level down, organizationally speaking, need constantly remind themselves that they are primarily hearing from the parties they regulate either directly or through their attorneys, lobbyists, or other representatives. The most important ward of the regulators: that is the public, seldom gets equal time. Regulators must remain sensitive to this if our system is to work, and must recognize the possible conflict that can arise between experience and objectivity.

(3) Florida's Sunshine Law has been and continues to be extremely helpful in restoring not only public confidence in the way their affairs are handled, but confidence between the participants in the regulated industries themselves.

I am going to be followed by Mr. McCann, who supervises and directs our Division of Pari-Mutuel Wagering, and I would be happy to answer questions now, or possibly when Mr. McCann

concludes his remarks.

CHAIRMAN MORIN: It would be more convenient if Mr. McCann follow you.

MR. J. PATRICK MCCANN: As Mr. Pallot has told you, the division is the operating unit which supervises and regulates on a day-to-day basis the pari-mutual industry in the state of Florida.

The division's main office is located in Miami, and in addition there is a state office located in each of the thirty-three pari-mutual plants located in the state.

The division employs 79 career service employees and 313 temporary employees who are paid on a per performance basis.

Most of our permanent staff is located at the Division Office in Miami. Here we have the Director's office, administrative services, field operations, licensing, investigations and the Division Laboratory.

Our field operations are under the supervision of an Assistant Director who is assisted by a Supervisor of Horse Racing, Supervisor of Greyhound Racing, and a Supervisor of

Jai-Alai Frontons. They have the overall responsibility to make certain that our field staff assigned at the various plants are operating in a proper manner.

Our Administrative Services Unit handles all personnel matters, purchasing and revenue accounting.

Our investigative staff works very closely with a local and federal law enforcement agencies in a mutual effort to maintain integrity in the pari-mutuel industry.

Florida has a tough statute, making it a third degree felony to pre-arrange the result of a race, or to stimulate or depress a dog or a horse for these purposes.

During the past year, in cooperation with track security and local law enforcement, we were able to obtain a successful prosecution of an individual who had depressed some favorites in a dog race. He was convicted and received three years in the State Penitentiary. We also cooperate closely with the F.B.I. on investigations relating to possible race fixing, since such matters could be violations of the Federal Sports Bribery Statute.

We maintain close liason with F.B.I. representatives throughout the state for these purposes.

The investigative staff works very closely with the Division Laboratory and all matters regarding positive specimen reports are assigned immediately and handled on a priority basis. These investigations invariably result in hearings either before the stewards or the division, and result in administrative action against the licensee.

The investigative unit also conducts background investigations in connection with referrals from the stewards, falsification of licenses and other matters involving violation of rules by our licensees. Most of these matters are heard and adjudicated at a division hearing, where the Division Director acts as Hearing Officer.

The investigative unit also checks the background of applicants for permits, so that the division may be in a position to make recommendations to the Board of Business Regulation regarding the suitability of applicants.

Applications for permits are accepted during a thirty-day period each year. Due to

statutory restrictions, the only type of operation which is available to a new permit holder in Florida at the present time are three or four jai-alai fronton locations in Northern and Central Florida and in the Keys.

Florida Statute 550.181 is very restrictive with respect to who may hold a racing or jai-alai permit in the state.

The investigative unit also maintains close liaison with criminal investigative sections of federal and state law enforcement agencies, due to the possibility of attempts of organized crime to penetrate the pari-mutuel industry.

The chief investigator of the division is a member of the Tri-County Organized Crime Group in South Florida, and meets on a regular basis with this group.

At the present time there is no evidence that any persons involved in organized crime are active in the management of any of the pari-mutuel plants in the state of Florida.

Our licensing unit maintains all of the licenses and fingerprints obtained in the

field by our staff, and the licensing unit also handles the National Association of State Racing Information System which Florida joined during 1974. This permits us to check a central computer located in Lexington, Kentucky, for information regarding license information and rulings issued against the persons participating in racing in North America. As this system is implemented by more states, it should be of invaluable assistance in excluding undesirables from racing.

The division also receives applications for racing dates annually, and provides necessary statistics to the Board of Business Regulations regarding these applications. These dates are awarded at public meetings of the Board of Business Regulation in February and May of each year.

The division makes recommendations in most cases; however, the Board is the only entity authorized to make such date awards. Controversial dates are usually the subject of much debate at Board meetings, and the Board has had to take some difficult decisions in this area.

I thought it would be appropriate

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to briefly describe a typical field operation of the division.

At the typical plant we have assigned a chief inspector who is in overall charge of the state operations and the scene. All actual licensing and fingerprinting is done in the field under his supervision. The Florida Statutes require that all persons connected in any way with the pari-mutuel operation, including concessions, must be licensed and fingerprinted.

We also have a chief auditor and assistant auditor who verify pari-mutuel payoffs, admissions, et cetera, and guarantee that the State of Florida receives all the revenue it is entitled to.

In addition, the state has a State Steward at the horse tracks and a division judge at each greyhound track and fronton. These individuals supervise the actual operation of the race or game. We also utilize ticket auditors at jai-alai frontons, where we permit messenger betting to make certain that all receipts are properly included in the racing pool.

The horse and dog tracks each have

a State Veterinarian assigned to them who must be a Doctor of Veterinary Medicine. His main responsibility is the supervision of taking blood and urine specimens from the winning horses or dogs, or from favorites finishing out of the money. He is assisted by veterinary aides.

The division recently converted several of the veterinary aide positions at the South Florida thoroughbred tracks to career service positions at higher pay, since we feel this testing is one of the most important areas to guarantee integrity of racing, and I feel strongly we should have well qualified, well paid personnel in these positions.

The principal problem areas in policing the pari-mutuel industry in Florida, or anywhere else in the United States, in my opinion at the present time are:

- (1) Use of illegal medication; and
- (2) the problems generated by certain forms of multiple wagering.

The manufacturers' development of sophisticated and hard to detect drugs has made it imperative for the racing laboratories to

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STATE ALFRED L. BROWN, JR.
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have equally sophisticated equipment for the detection of such drugs.

The division recently requested and received a supplement to our budget of \$205,000 to purchase such equipment, including the computerized gas chromatograph mass spectro-photometer, which is a fairly recent development in racing chemistry which we feel will be invaluable assistance in detecting illegal medication. I think it is a must for every racing laboratory.

Multiple wagering or exotic betting, as it is so called, is very popular at Florida tracks. However, trifecta wagering particularly provides a temptation to the dishonest individual.

As the Commission probably knows, several states have had indictments and prosecutions, many involving the trifecta racing. The case I cited previously regarding the fixing of a dog race involved trifecta wagering. By knocking out the favorites in the race, the subject was able to win large sums of money by betting on the non-favorites in a trifecta combination.

The National Association of State Racing Commissioners has recently appointed a

committee, of which I am Vice-Chairman, to make recommendations for some uniform rules in this area.

We plan to look into such areas as the size of the field, minimum purse, and close supervision of such races by the stewards to detect suspicious betting patterns.

If this type of betting is to be continued, it should be under the strict rules and control of the state regulatory bodies.

Other forms of gambling are currently being mentioned as needed in the state to raise additional revenue; included are off-track betting, casino gambling and lotteries.

The division has permitted, during the past year, the South Florida thoroughbred tracks to furnish its results to the New York City OTB, and the receipts were distributed fifty-fifty between the horsemen and the tracks, with the state receiving no revenue.

This, in my opinion, is not detrimental to the state or the industry in any way, and is actually helpful to the association and participants.

However, intra-state OTB could be

a real problem in Florida because of the number of pari-mutuel establishments we have. OTP would provide real competition for horse tracks, greyhound and jai-alai frontons.

Similarly for casino gambling, which, in addition, has the effect generally of bringing undesirable elements into the state and county.

My overall feeling with respect to other forms of gambling is that Florida has a very stable pari-mutuel industry, which last year contributed nearly \$85,000,000 to the state.

The expenses of the division were about 2 percent, leaving \$83,000,000 to be distributed, \$446,500 to each county; the remainder going to the General Revenue Fund and other purposes.

I feel if other forms of gambling were added, they would dilute this substantial and steady income, and I do not think Florida should take the gamble of possibly jeopardizing this source of revenue. Thank you.

CHAIRMAN MORIN: Thank you very much, Mr. McCann. I will yield to Senator Taft.

SENATOR TAFT: Thank you, Mr. Chairman.

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MIAMI, FLORIDA

Mr. McCann, you mentioned this one conviction. Was that the only one in the last year?

MR. McCANN: Yes, sir.

SENATOR TAFT: How many other charges have been brought?

MR. McCANN: That was the only charge, the only case that has brought an indictment and charge.

SENATOR TAFT: You mentioned the statutory restrictions on new permit holders.

Do you have a specific limit, by statute, of pari-mutuel licenses you can give for horse racing?

MR. McCANN: It is a geographical restriction. No horse or dog track can be built within 100 miles of an existing pari-mutuel plant, and there is no location in the state right now that would fit the bill for that.

SENATOR TAFT: How often are the permits renewed?

MR. McCANN: Annually.

SENATOR TAFT: How much turnover has there been, say in the last five years for the licenses?

MR. McCANN: A number of
the State of Ohio
has been issued

MR. MCGANN: Very little.

SENATOR TAFT: Mr. Pallot, is there illegal bookmaking going on in Florida in connection with these?

MR. PALLOT: I would assume there is. I do not know the extent. I am just not personally familiar with the facts.

SENATOR TAFT: You do not have any estimate of the extent?

MR. PALLOT: I do not, no, sir.

SENATOR TAFT: Would any state officials have?

MR. PALLOT: Yes, sir. I believe you will be hearing from a gentleman this afternoon or tomorrow from the Florida Department of Law Enforcement and other law enforcement agencies that should have that information.

SENATOR TAFT: You mentioned a 17.4 percent takeout. How does this compare with other states where there is pari-mutuel racing?

MR. PALLOT: I would say it is generally average, sir.

There are some states slightly higher, some states are slightly lower.

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FLORIDA DEPARTMENT OF LAW ENFORCEMENT
TALLAHASSEE, FLORIDA

New York has been experimenting for the past two years for an increased takeout. They have dropped it.

You have various, in some states whether or not they have an OTB operation, for example in New York, that have the higher takeout on the OTB parlors than they do on the tracks, themselves.

You also have varying degrees of takeouts in some states, depending on whether it is an exotic type wager or not.

For example in the win, place, show pools they will take out 17 percent, but on a trifecta it may be 25 percent. This varies.

SENATOR TAFT: Mr. McCann, for the uninitiated, I am one of them, would you describe a trifecta bet?

MR. McCANN: That is betting on the first, second and third horse, exactly in that order.

In other words, you would pick one, two and three horses or dogs. You have got to bet that exact combination, and that exact combination must win.

SENATOR TAFT: The odds on that reflect--

MR. McCANN: Very high. If the non-favorite wins, the odds are very high.

SENATOR TAFT: How many tracks does that go to?

MR. McCANN: All of our tracks.

SENATOR TAFT: Being used at all of your tracks?

MR. McCANN: All of the tracks in the state; yes, sir.

SENATOR TAFT: I think that is all of the questions I have. Thank you very much.

CHAIRMAN MORIN: Dr. Allen!

DR. ALLEN: Mr. Pallot, you noted in your dissertation that the money was equally shared amongst all of the counties. I think it is \$446,500.

How was that figure arrived at, or how did you determine that you would share the money equally among all the counties? Was it by referendum?

MR. PALLOT: This was done by the legislature many years ago, Doctor. I am not

familiar with how that was arrived at.

And I think the Governor's comment was that originally it was equal, and now that has been changed somewhat.

I think Mr. McCann might be able to elaborate in more detail.

MR. McCANN: Originally the counties split all of the monies given to the General Revenue Fund equally.

But the 1971 Legislature, for some reason--I do not know exactly why--put a cap on that, \$20,000,000. Anything after \$20,000,000 reverts to the general revenue fund. Anything below that goes to the counties equally.

DR. ALLEN: I am interested as an elected official, because it does not appear that your formula is based on the areas of greatest need. And I just imagine that there are some counties in Florida that would have an extensive amount of money that you have to deal with.

Are there any prorated costs or designated usage for those funds, or can the counties just put them to their own particular use?

MR. McCANN: They can use it for

what they want it for.

DR. ALLEN: One final question:

Has there been any evidence or incidence of malfeasance, misfeasance or non-feasance among those members of the, not the Racing Commission, but the Department of Regulatory Licenses, et cetera, since it has had its inception?

In other words, have any of your appointed officials been subject to indictment and trial since they have been appointed to those positions?

MR. PALLOT: Speaking of the present administration, Dr. Allen?

DR. ALLEN: It has only been in vogue since the present administration?

MR. PALLOT: Not to my knowledge; no. Since 1971, I would say no.

Prior to that time, not to my knowledge.

DR. ALLEN: My reason for asking, so as you will not consider it an insult, is that we had some difficulties with appointments in the State of Pennsylvania in positions of trust such as you hold. And where the appointment is by the

Governor and confirmation by the Senate, we have had some difficulties in the past.

I was wondering whether or not Florida had been fortunate enough to escape that type of problem.

Thank you very much, gentlemen.

CHAIRMAN MORIN: Mr. Coleman?

MR. COLEMAN: Thank you, Mr. Chairman.

On the awarding of racing dates, is the Board the final say?

In other words, there is no appeal from dissatisfied permittees or licensees?

MR. PALLOT: Not quite, sir. The Board is the final administrative agency.

Of course, then, any aggrieved party has the right to take it into the court system, and they are generally appealed.

The controversial racing date periods have traditionally been appealed and decided by the courts in Florida.

And ultimately, now the Board has been affirmed on many occasions, but it usually takes a judicial determination rather than just

the satisfaction of administrative determination.

MR. COLEMAN: Is it almost commonplace yearly:

MR. PALMER: Yes, it has been since my experience on this Board.

MR. COLEMAN: Mr. McCann, on the practice you told us in checking horses and dogs, I assume for testing, is your practice similar to that in other states where you testified that the winning horse and the favorite or favorites are only tested?

MR. McCANN: No. Usually the first and second place horses are tested, generally speaking, in a trifecta race, first, second and third, and any non-favorite that finishes out of the money.

In other words, a horse that should have won and came in, performed very poorly, can be tested at the discretion of the stewards.

MR. COLEMAN: Is that similar practice followed by the other--

MR. McCANN: Yes.

MR. COLEMAN: Not every horse is tested, right?

MR. McCANN: No.

MR. COLEMAN: Do you in any way limit exotic racing? For instance, I assume if your trifecta is the last race, do you limit the number of horses? Is that something you control, or is it left up to the individual track?

MR. McCANN: We have a limit of a minimum of eight horses that must be programmed in a trifecta race. That is our present policy.

MR. COLEMAN: Have you found in your experience that you have more problems in those types of races as to exactas, trifectas?

MR. McCANN: Trifectas specifically. We have had very little problems with, I would say the exacta and perfecta, but the trifecta seems to be the problem, not only here but throughout the country.

MR. COLEMAN: Mr. Pallot, one final question: The figure I think you gave us, the three-year projection, both increased in handle and attendance?

MR. PALLOT: The last three years, that is correct, sir.

MR. COLEMAN: How does that compare with your studies with comparable racing states. I think you have the largest number of racing days.

MR. PALLOT: Yes, sir. The figures I was giving represented the total figures for our total pari-mutuel industry.

As between the industry we have had variables. For example, our thoroughbred racing has not fared as well, and I think this has been a national problem.

MR. COLEMAN: That has been a decline?

MR. PALLOT: Yes, sir, as well as our greyhound industry and our jai-alai industry.

As I pointed out, for the first time this year we are seeing a little dip in the handle in our greyhound tracks, for example, which has been equated.

And the reasons given, the recession being one reason, the other reason profit, was the fact that there has been a dispute between track owners and greyhound owners, which has been a part of a national involvement, I believe.

Other states have experienced the same problem, but we have had, as between the pari-mutuel industry, even though we have logged a plus bottom line, you know, we have had policy problem

areas as between one industry versus another.

And it is therefore very finely tuned. This is why I said I think we need responsive legislation that can act rather quickly as the problem arises, to keep each industry healthy.

MR. COLEMAN: Thank you very much.

CHAIRMAN MORIN: Dr. Phillips?

MR. PHILLIPS: Mr. McCann, with respect to your jai-alai operations, you state that you permit messenger betting.

Explain what that is, and how it operates.

MR. McCANN: Well, rather than going to the seller's window, which is done normally at a horse or dog track, the patron can sit in his seat, pay his money to a young lady who then fills out a slip, gives him a receipt, then goes down to the window and places a ticket for him.

Jai-alai is a game going on all the time, and the spectators want to sit there and watch it.

MR. PHILLIPS: Thank you.

CHAIRMAN MORIN: Gentlemen, I want to thank you personally and for the Commission for

coming and taking your time.

I do want to tell you, I had meant to earlier, that the Florida pari-mutuel operation is nationally known, if not as the best, certainly the equal. I congratulate you.

It gives me a great deal of personal pleasure to welcome our next witness, Mr. Frederick L. Van Lennen, President of Castleton Industries, which owns and operates Pompano Park, Florida, appearing today as a representative of the breeding industry in the state of Florida; also Chairman of the American Horse Council, being a breeder of beautiful American saddle bred horses.

MR. FREDERICK L. VAN LENNEP: Thank you, Mr. Chairman.

My name is Frederick Van Lennen, and my purpose here today is to acquaint this Commission with the harness racing industry in Florida.

As President of Castleton Industries, which owns two race tracks as well as Castleton Park, one of the largest breeding farms in the harness industry, I have a very keen interest in horse racing, and appreciate the opportunity to testify.

The major subjects which I will discuss are (1) the development of the harness racing industry, and its contributions to this state, and (2) the advantages which horse racing, as opposed to other forms of wagering, provides to Florida.

For many years the only connection between Florida and the harness industry was that the state's warmer winter climate provided an excellent off-season training ground for the owners of trotters and pacers. While this seasonal influx of horses with their owners, trainers and support personnel brought some additional income to the state, the true potential was not being realized.

Approximately twelve years ago Pompano Park was built in Pompano, Florida, in order to capitalize on this potential by providing a facility for harness racing during the winter months. The establishment of the track was inevitable, since many of the better Standardbreds were nearby throughout the colder season.

At an initial cost of more than \$10 million we have endeavored to establish a first class racing facility at Pompano, and we have indeed succeeded in attracting horses from all of the

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MEMBER OF THE NATIONAL ASSOCIATION OF STATE HORSE RACING COMMISSIONERS

major stables in North America. Although our barns presently accommodate 1,668 trotters and pacers, we are forced to locate an additional 450 horses on nearby farms. We are in the process of adding 200 stalls at a cost of \$400,000.

The benefit of the track to the local and surrounding communities, and to the state as a whole has been truly gratifying. While Pompano Park itself has lost nearly \$12 million in its early years, harness racing in Southern Florida has become a significant segment of the state's economy.

For example, our previous racing meet was attended by over 610,000 persons who wagered a total of more than \$31 million. The state's share of this handle, seven percent, amounted to approximately \$2.4 million.

(Exhibit I contains a schedule of payments to the State of Florida from the pari-mutuel takeout and breakage for the previous five years.)

While this amount itself is a significant contribution, it is really only the tip of the iceberg. In addition to this direct payment, the harness industry also offers numerous other contributions.

opportunities to residents with accompanying revenue to the state. During the past season 1,129 owners, 304 trainers, 239 drivers, 936 grooms, 13 veterinarians, 17 blacksmiths and 20 agents were required to maintain the horses at Pompano. Many of these employees are semi-skilled or unskilled workers, who may be unemployable in other circumstances and could be a consequent burden, albeit unwilling, on the state rather than self-supporting citizens.

Last year the payroll for grooms, blacksmiths, trainers and the cost of feeding and bedding the horses at Pompano exceeded \$5.3 million.

In addition, maintenance of the grounds and buildings at Pompano involve enormous costs for labor, fuel and upkeep on trucks and tractors. The track employs approximately 440 persons during the racing season, while the food catering operation requires an additional 60 employees. The total salaries for the concession operations exceed \$1.3 million annually.

The employment opportunities provided by Pompano Park are, of course, critical in view of our present national economy. These jobs also generate income taxes, which pay for education

and other social services. Moreover, the track makes direct contributions in the form of taxes, other than the takeout from pari-mutuel wagering. Admission and sales taxes totaled \$77,800 for last year. (Exhibit II contains a schedule of admissions and sales taxes paid during the last five years.)

Labor directly employed by the Park is only one factor, however, for Pompano is a major purchaser of supplies from local distributors, and of services such as advertising and other forms of publicity on a national, regional and local basis. These expenditures for racing-related supplies and labor produce a rippling effect in Florida's economy, with Pompano Park as its focal point.

Both the participants and spectators at the track provide a financial stimulus for Pompano, Florida and surrounding communities. Many of the horsemen who originally migrated to and from Florida for the racing season have purchased homes and have become residents during the last decade, broadening the state's economic base.

These patrons and horsemen who are transient continue to spend millions of dollars

each winter for lodging, meals, fuel, entertainment, and other assorted services. These persons also make substantial contributions to the state in the form of sales taxes and miscellaneous excise taxes.

While many visitors come to Florida from other parts of the United States for harness racing, it is important to bear in mind that persons also travel from as far away as Sweden, Denmark, Italy and France, countries in which harness racing is also prospering.

It is estimated that Pompano Park was directly responsible for the infusion of more than \$18 million into Florida in its first year alone. Subsequent years have yielded even greater stimulus to the state economy.

Somewhat paradoxically, winter training of standardbreds which instigated the development of Pompano Park, has itself increased greatly as a result of the existence of the track.

During this past year the winners of 17 of the top 20 stakes races were trained at Pompano Park. In 1966 the state of Florida had three Standardbred farms. Today there are over 18 farms which contribute to the economy of Florida.

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not only in terms of revenue from taxes, but also in terms of employment opportunities and salaries.

Today there are approximately 350 Standardbred owners participating in breeding in Florida. Their horses produce about 300 foals per year, as compared with 1966 when only about 10 foals were produced.

One of the major factors contributing to this development of native Standardbreds in Florida has been the Florida Breeders Stake. Fifty percent of the breakage of all harness meetings in the state goes into the Florida Harness Racing Promotional Trust Fund. This year, for example, the Pompano Park meeting will produce \$100,000 and the Seminole Club meet at Castleberry will add nearly \$25,000. Of this amount, \$40,000 has been budgeted for the Florida Breeders Stake. Florida-bred overnight races will receive \$20,000 as "incentive money" which adds 50 percent to whatever the purse might be for each "Florida-Bred" event. Approximately \$10,000 of the Trust Fund is earmarked for advertising and promotion.

In the few years of its existence, this program has produced some of the finest

Standardbred horses in the country. Each year we have additional Standardbred stallions in the program and the quality and bloodlines will continue to improve as the breeding progresses.

At the peak of the winter racing season, Pompano Park, Ben White Training Center, Seminole Turf Club and Spring Garden Ranch have about 3,200 horses in residence which cost their owners a minimum of \$500 dollars each (monthly) or a total of approximately \$1.6 million per month to maintain.

We expect these horses to be in the state at least six to seven months, creating spending power for trainers, grooms, harness suppliers, veterinarians and ground crews.

This somewhat lengthy description of harness racing in Florida serves a twofold purpose. First, it gives you a concept of the benefit which our industry has brought to the state.

In this regard, please bear in mind that of each dollar wagered at Pompano Park, eighty-nine cents is returned to the bettor. The remainder, eleven cents, is divided, about equally, between the track and the horsemen.

Secondly, the discussion directs your attention to the advantages of horse racing over other forms of wagering with respect to the citizens and economy of Florida.

For example, a lottery is not regarded as a major source of jobs, nor will it attract tourists. Casino gambling, while it might attract tourists, would not necessarily add many more jobs above and beyond those available to persons with the skills needed to run the various casino games.

The racing industry, on the other hand, provides thousands of jobs in Florida, many of which, as I noted, are filled by unskilled or semi-skilled individuals. Ticket takers, parking lot attendants, grooms, and hot walkers are but a few examples. I believe that the experience of this Commission will bear out my beliefs as they apply to most of the other forms of wagering.

For all these reasons, we believe that horse racing is unique in the service it provides to local government, both in terms of tax money and in terms of employment and other benefits offered to the local residents. These benefits

have been seriously endangered by the actions of some localities in the last few years. While we agree that the local jurisdiction, and not the federal government, should control racing, each state must be aware that the attitudes and policies which it adopts toward racing can seriously endanger this large and useful industry.

We are certainly not averse to paying taxes. The state provides many benefits to harness racing, and we feel that we should pay for them. Nonetheless, some states seem to have forgotten in the last few years that as more money is taken out of the racing handle in the form of taxes, payoffs to the bettors, purses for the horsemen, and the returns to the track all grow smaller. In addition inflation and increasing costs have hurt harness racing like every other industry.

The conclusion to which I am leading is this: Pompano Park and the harness racing industry have grown and prospered in Florida, and Florida in turn has profited from our industry.

It is my hope that this Commission will recognize the need for cooperation and careful consideration on the part of each state in order

to preserve horse racing as we know it today. I seriously doubt that the story of success which I have just reiterated would be possible in certain states today.

The increasing pressure on state government to milk ever larger amounts of money from racing has resulted in an uneconomical proliferation of race tracks and taxing policies which discourage the bettor and the horseman alike. Therefore, I ask that in your recommendations you caution against continuation of these policies so that more states can experience the advantages of a healthy racing industry.

I want to thank you for the opportunity to discuss these matters with you. If you have any questions, I will be happy to answer them or to submit additional information.

CHAIRMAN MORIN: Thank you very much, Mr. Van Lennep. Senator Taft.

SENATOR TAFT: Mr. Van Lennep, you mentioned the Florida Breeders Stake.

What is a federal tax situation with regard to the promotional trust fund?

MR. VAN LENNEP: I don't think that

has the federal tax. The money is raised from the pari-mutuel, put aside from the pari-mutuel funds and then the individuals who participate in the breeding program by having horses registered in the state of Florida, can enter their horses in a series of races which are put on at the track similar to what they do in Ohio, which we call "Ohio and Florida bred horses."

And there are horses that are bred on the farms, out of stallions or mares, that drop their foals, who are eligible for these races.

SENATOR TAFT: Do these horses race at County Fairs?

MR. VAN LENNER: We do not have as many County Fairs as you have in Ohio. We have a few County Fairs. In fact, I think there is only one that has any active racing, and that is in Tampa, Florida.

Our racing has been at the pari-mutuel race tracks for these state events.

SENATOR TAFT: Well, of course County Fairs have pari-mutuels?

MR. VAN LENNER: We do not have pari-mutuels at the fairs.

SENATOR TAFT: You do not have it.

MR. VAN LENNEP: No, we do not have pari-mutuel fairs.

SENATOR TAFT: They have betting at the fairs.

MR. VAN LENNEP: No, we do not have any betting at the State Fairs. All the betting is controlled by the licensed pari-mutuel operators and controlled by the State.

And the State does not license pari-mutuel activities at the State Fairs.

SENATOR TAFT: Thank you.

CHAIRMAN MORIN: Dr. Allen?

DR. ALLEN: No questions.

CHAIRMAN MORIN: Mr. Coleman.

MR. COLEMAN: I have no questions.

CHAIRMAN MORIN: Professor Phillips.

MR. PHILLIPS: None.

CHAIRMAN MORIN: You are, of course, I think reflecting a common complaint of race track operators and horse breeders in terms of the increasingly oppressive state of the tax industry.

What would you suggest the federal government do about it?

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How can this Commission help you, if
it were so disposed, in your opinion?

MR. VAN LENNEP: I think that by
possibly bringing into focus the, I would hope that
all of the hearings that you have conducted would
show that the pari-mutuel industry and horse racing
under pari-mutuel operations is probably, shall we
call it, the most acceptable, and the most produc-
tive form of gambling.

And that if this kind of operation
is to be encouraged and grow, it must be sustained
by enough input of funds, rather than taking out
all the funds.

I believe, sir, that possibly the
activities that you have conducted in the last year
have helped us.

I know of at least two or three
states that are now willing to discuss this possibility
and have gone ahead and are trying to work with the
horse owners, the race track management, the people
who are on the firing lines collecting this tax
money.

Because as you know, in pari-mutuel
racing the tax money is collected by the operator.

and it does not cost the State. They do not have tax collectors, so they recognized the increased costs of collecting this money and have made provisions to help the industry.

I think this is one of the things that has grown out of, already, from some of the testimony that you have heard in Washington, and some of the material that has appeared in the public press.

I think this would be the most encouraging thing. The second thing I would hope is that a careful study would reveal the extent to which proliferation of intra-state off-track betting could seriously affect the survival of the horse industry as we know it, in the many states in the size that it is today.

CHAIRMAN MORIN: Thank you. Mr. Ritchie?

MR. RITCHIE: Mr. Van Lennep, what you have described appears to be rather phenomenal success, the Standardbred industry in the state of Florida, which has benefitted the state completely.

Is this peculiar to the state of Florida? Could it have occurred elsewhere in your

judgment?

MR. VAN LENNEP: Well, I think that possibly I wanted to quote the state of Florida because I think that being the last pari-mutuel industry to come in of size, it has taken us a great deal longer to have the people, the residents in the state of Florida, understand harness racing.

No, I would say in the northern states, and through the Middle West where harness racing has been known through the fairs, and people have grown up with it, we have had a phenomenal increase in harness racing.

And of course in Canada there has been a tremendous increase in harness racing, and in many European countries.

I do feel that the State of Florida has been really helpful to us in many ways, and I think that the state has tried to encourage our efforts in every way, and I wanted to show that, I was trying to show, because we are the only track that is operating in the state, just what a good successful, or track properly operated could do to try to bring in an industry of this type, apart from just the gambling effect of the pari-mutuel

operations.

MR. RITCHIE: You touched upon the intra-state off-track betting.

Would you suggest that the Commission consider suggesting to Congress that intra-state off-track betting, as you described, as a federal policy? Do you feel that strongly about it?

MR. VAN LENNEP: Yes, I do. I really think I do not believe that the matter will be terminated without some federal intervention, because it seems as though gambling has now become an easy method of raising revenue.

And I do not know whether we consider all the consequences. The Governor, here, gave you a lot, which I thought was very good, but it seems to me that it is one thing for us to telecast some races from Florida on stake races to New York, and maybe get some of the income from the New York betting, because they did not have racing at those particular days to be on. But it is easy to follow the reverse subscription and have a state put in OTB and then find even the state of Florida had OTB, it would seem to be evident that they would then have screens. And because they had such good racing all

year long, in New York, that the New York races would appear in Florida. And many of the tracks here would have to go out of business because they could not exist against that.

The same thing is true in states that the State of Kentucky had such a thing. We have tracks in Kentucky. It is a local situation. We raise a lot of horses, we have some great tracks in Churchill Downs and Keenlands, but the other 190 days a year we do not have great horses in Kentucky.

They would project these horses into Kentucky, and I am sure the Kentucky tracks would not survive.

MR. FITCHIE: Well, do you believe that there should be any exceptions to this: that is, if there are adequate contractual arrangements that insure that the states, the tracks, the horsemen are compensated adequately, if that is possible, then perhaps there should be an exception made in the prescription?

MR. VAN LENNEP: Well, that is a tough question. I can see that if we were only talking, for instance, about--let us take Hialeah

here, or Gulfstream, or have good horses and good winter racing.

And then in the off-season, that these --they decided we had off-track betting here, that they would allow the New York races to come in.

I could see that possibly Gulfstream and Hialeah would not be too greatly affected, maybe in the winter, except for the tourists and the people who would come here, and their admissions, and they are being compensated for that.

The same thing might be true of Churchill Downs for its April meeting, during the Derby and all that meeting. But what about the Churchill meeting, and what about the meetings in the off-season, where many local horsesmen have to compete, and we must have a lot of horse racing, if we are going to have top horses.

You just can't have a few. If you are going to limit the horse racing to one or two operations, I could see that this could become very harmful, not only to the competition that's involved, but up the pressure to the particular track if it is through the country.

And I think that this would, if the

state was interested in money, they might then again say, "We don't care about those other tracks. We made a deal with these big tracks, and they would be able to carry it."

And possibly you put them out of business. So this is the two-edged sword that worries me.

MR. RITCHIE: Regarding the states and their various formulas for the takeout from the handle, would you believe that that is significant to require federal legislation there: that is, a limit on the takeout accomplished by some manner of legislation?

MR. VAN LENNER: I think this is a very worthy consideration. As we know, as you increase the size of the takeout you encourage, you discourage betting in one respect, or you take the money away from people so fast they go broke quicker.

The other thing is that you probably encourage more illegal gambling.

And if we--I understand that--I used to always hear that bookmakers couldn't operate on much less than 15 percent.

It would be possible, because of the

size and volume of betting, everybody would get as much as they wanted and get everything healthy.

And if we could keep it at 14 or 12 percent, I am sure that the public and the whole pari-mutuel industry would be better off.

MR. RITCHIE: Mr. Chairman, I would like for the record to reflect the appreciation of the staff to Mr. Van Lennep and Mr. Mullen, who is accompanying him, who has been here, they have cooperated to the fullest extent and provided the Commission with great assistance.

We certainly appreciate your efforts.

MR. VAN LENNEP: I want to thank you for the opportunity of appearing.

CHAIRMAN MORIN: Senator Taft has some observations.

SENATOR TAFT: I bring this up, really, for the staff:

According to Mr. Van Lennep's testimony, the problem has existed in Florida at this time with regard to the entire harness racing industry.

There is an issue that is currently, I do not know whether there is legislation actually

pending on it or not, that relates to the whole question of harness racing at the County Fairs and State Fairs throughout the nation, of the percentage of take from the pari-mutuel betting at some of these fairs which is affecting the tax status of the fairs, themselves, and the extent of the pari-mutuel revenue relating to the total revenue of the fairs, which is resulting in claims by the Internal Revenue Service of non-exempt status for the fairs.

And also for taxation of revenues created by the pari-mutuel, even though that be only a percentage of the total percentage.

It is something we can go into further. It does exist in Ohio, Illinois, California, quite a number of other states. Thank you.

CHAIRMAN MORIN: We will be in recess.

(Thereupon a recess was taken, after which the following proceedings were had.)

CHAIRMAN MORIN: Our next witness will be Mr. Gene Campbell, who is a Florida State Representative.

I note by your biography that you have been a member of the teaching profession for

many years. We welcome you here. We know that you will give us some new outlook.

MR. GENE CAMPBELL: Thank you very much for the invitation. After listening to the expert testimony, I do not feel I can give expert testimony, expert opinions very similar to the Governor's.

First off, let me say that I have introduced a bill for casino gambling into the Legislature, and my point in introducing the legislation is to try to raise revenue for the State of Florida.

I have also introduced legislation for a state income tax for people who would rather pay their own way.

When I traveled around the state I found people telling me they do not want gambling in the state of Florida, that this is going to cost the poor people their money.

I feel that the poor people are already losing their money in the pari-mutuel meetings such as horse racing at Hialeah.

I introduced legislation into the Legislature to let the people vote. My feeling is,

you cannot be a little bit pregnant. We have selective morality in the state of Florida if we are going to allow people to go in and bet \$2 on a horse or a dog, but would not allow the people to go in and bet \$2 on themselves at a blackjack table.

I make those statements not being a gambler myself. I do not go to horse races. I went to Hialeah once to see what it was like. I went to the dog track once to see what it was like about 12, 14 years ago. I have gone to Las Vegas. I tried some gambling there, but I do not think I gambled. Gambling is when you have a chance, and I never had a chance. I've played nickel and dime poker with friends, so I would not say I am a teetotaler for this type of thing.

The points I want to make are these: I am trying to get a change in the Florida Constitution to allow a referendum to go to the people of the state of Florida to determine for themselves whether they would like casino gambling as a means of raising revenue.

Casino gambling is just an extension of the present gambling that we already have. The issue of gambling was decided some 40 years ago

when we determined that we would have horse racing, dog tracks, jai-alai, pari-mutuel betting.

I am trying simply to let the people in Florida have a chance to determine whether they would like casino gambling. If this referendum passes state-wide, each county would then have the option to determine locally whether they would like to have casino gambling come into their state.

I guess this would answer one of the questions you asked the Governor earlier. I think the state should control it, each county have the local option to determine it, and have a Gaming Commission at the state level.

All the things that the Governor said, that casino gambling is bad, I disagree with. I think he says that the tourists will fail to come to Florida. I may be taking a personal stand here in not giving you people information that you would like, but I will get off the soap box in just a minute.

The Governor says that tourists will stop in Florida. I do not see people coming to Florida to visit Disneyland turning around at the state border because you have casinos in Miami Beach,

if Miami Beach chooses to go for casino gambling.

I think the tourists would still come here. We have 67 counties in the state of Florida, and if one, two, three of them choose to have casinos, that is their local option, they have made their choice, and I do not see it hurting the tourist trade in Florida.

This year we have had more tourists than before, and there is no free lunch in the state of Florida, any more than there is a free lunch where you gentlemen come from.

We either raise our revenue off of tourists, Florida is a tourist state, or we tax ourselves, or we cut our programs.

One out of every five people in the state of Florida, now, are presently over 60 years old, and probably before the year 2000 one out of every four will be over 60 years old. These people are living on fixed incomes, and it is going to take some revenue from the State of Florida to continue with the programs that it has.

Inflation is eating into the states just like it is eating into everyone's personal budget. We need revenue, and all I am trying to do

is put it to a referendum, to let the people determine, for themselves, whether this is a means of raising revenue that we would like to try.

The Governor has mentioned the cost of regulating this. Assuming that it takes every nickel to regulate it, you take in the equivalent of 80 million dollars. It takes in 80 million dollars, and it takes the whole 80 million dollars to regulate it, you have related jobs, you have spent on 3,000 people for security. I think when you have created jobs that you will have people then spending their money back into their community.

The gentleman from Pompano said about the harness racing, when people earn money they spend it back into their community, and it becomes a source of good for the community. So I think if we spend the money we are creating jobs with it and we can control it.

He mentioned that it is not working down in the islands. That may be so, but I think probably that one of the reasons is the service that you get. You cannot just have an attraction without having good service, and I think many people in the islands may not be providing the service that

many people would like.

I think the people of the state of Florida, if it had it, would attract high class tourist people who would come to spend the revenue that we need for our problems.

I think that the main issue that we have to determine in the state of Florida is whether we are going to let the people make this decision for themselves.

Some people say I am trying to force the people to vote, and I feel that others are trying to force the people not to vote. And given the choice, I would rather see them vote on these issues than ignore them. Thomas Jefferson once said when we started our 13 colonies, we started our states: Nobody wanted taxation.

The Governor, Thomas Jefferson said: "One thing about gambling, it is the only source of revenue that the person has a choice whether they want to pay it or not."

So I guess I am off the subject for answering your questions for expert testimony, but I would like to stop and answer any questions that you might have, and ask that you realize that I am

not an expert on gambling, but I am trying to help raise revenue in the state of Florida, and I would like for people to have that choice.

CHAIRMAN MORIN: Thank you very, very much. Before getting into that particular point, let me ask you: Having followed most of your adult career in the school system, whether you think casino gambling might have any impact on the youth of Florida?

MR. CAMPBELL: I do not see it having any more impact than horse racing, dog tracks and Wileash, no, sir.

CHAIRMAN MORIN: Well, perhaps, let me take the opposite side for a moment.

I suppose once legalized there would be no prohibition against having slot machines at the ice cream parlors?

MR. CAMPBELL: I do not visualize that. You do not have dog betting in the parking lots that gambling goes on in that establishment in Florida where your pari-mutuel is.

If you have gambling casinos, those where you issue licenses, that is where that gambling takes place, not something that is in the

corner drugstore and cafe.

CHAIRMAN MORIN: You said you have been to Las Vegas?

MR. CAMPBELL: I have also been to Monte Carlo.

CHAIRMAN MORIN: I made that observation only because there appeared to be slot machines in the ice cream parlors in Las Vegas.

If casino gambling were legalized in Florida under county option, and the county operated it, who would run the casinos?

MR. CAMPBELL: Where did you get your personnel--I am sorry, sir--for your horse racing, dog tracks and Hialeah?

I think you train your personnel and you also review it from other areas. I think many people hint that the Mafia is the only place that knows how to run it, and I disagree with that.

CHAIRMAN MORIN: Would you think it would be a pertinent inquiry in terms of presenting issues to the electors as to whether or not the operation of a casino is a rather highly specialized one.

MR. CAMPBELL: In my traveling

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through the casinos that I went through in Las Vegas, I found that most anyone could be trained to do the dealing and play the games they had.

The only one that required a great deal of specialty that I could see was the craps tables, and I am sure you could handle that situation.

CHAIRMAN MORIN: Would you have the state operate the casino, county operate the casino, or private industry?

MR. CAMPBELL: No state controlled casino; no. Our present one in Florida presently is private ownership, and I would see that it would stay that way, licensed by the state.

CHAIRMAN MORIN: Senator Telford.

SENATOR TAPPE: Thank you, Mr. Chairman. Representative Campbell, do you think it would lead to syndicates buying and selling votes to legislators?

MR. CAMPBELL: If you have, say, an MGM that comes in here and opens up a Grand Hotel with casino gambling, and has a two or \$30,000,000 license in this, and a license being wanted, do you think MGM, with the opera stock and the two or \$300,000,000 investment, do you think they will be

trying to buy off the politicians right now since you are a councilman, and commissioners and in a small town?

I do not think you are getting control of what you are talking about legalizing.

SENATOR TAFT: Do you think casino gambling would work here?

We had comments by Mr. Wolkoff who indicated it would not work here, and talked of other areas like Puerto Rico.

MR. CAMPBELL: I think it has not worked in those areas because of the distance, and the service and the unfamiliarity to many people that go there, the Americans that go there.

They would be more at home in this type of atmosphere here.

Yes, I think the business would work. If someone had given you a choice 40 years ago and said, "We are going to let the United States have one state to put casino gambling in," I do not think Nevada would have won. I think Florida would have been chosen as that state.

SENATOR TAFT: What about the argument that you will lose tourist trade because the

people will spend their money faster and go back home.

MR. CAMPBELL: I disagree with that. I think probably when you have casino gambling you have different type tourists. I think the tourists you presently have will come to Florida, the family-type tourists, right, would still come.

SENATOR TAFF: Thank you.

CHAIRMAN MORIN: Dr. Allen?

DR. ALLEN: What effect, sir, do you feel that legalized gambling, in casino form along with your pari-mutuel form, would have on the electoral process in the state of Florida.

MR. CAMPBELL: You mean do I feel that the casino gambling would get involved in the elections.

DR. ALLEN: Right.

MR. CAMPBELL: I would say possibly no more than--uh, I go back to being inexperienced --no more than horse racing, dog tracks and football are involved in it now.

And my point is that when you legalize something you have better control over it, including getting involved in elections, than you do if you

leave it illegal. Because then it is legal, and it goes on, and I think that is where you find your payoffs to many of your politicians to try to keep it illegal.

DR. ALLEN: Are you saying there is currently illegal casino gambling in the state of Florida?

MR. CAMPBELL: You do not have casinos, but you have gambling that will give you all types of gambling you have in the casinos.

DR. ALLEN: Do you think the situation that there is gambling in Las Vegas, and it is probably the gambling capital in the United States, do you think the situation would be different in Florida than Las Vegas.

MR. CAMPBELL: In what way?

DR. ALLEN: Presuming that you placed your legalized casino gambling under your Department of Regulatory Practices which is an appointed Board by the Governor, confirmed by the Senate, would there be as much chance of, if not more chance, of misfeasance, malfeasance and non-feasance under that system than there is currently?

MR. CAMPBELL: I cannot say. I can

JACK [unclear] [unclear]

ALL [unclear] [unclear]

[unclear] [unclear]

say that you have this horse racing, dog track, Hialeah now. I think the room is there for those people to abuse it just as much as the casino owners would.

I do not think that, I think you are putting the casino owners in a bad light in saying that they are not as wholesome as horse track owners. I cannot say that.

DR. ALLEN: Some other people have. Let me ask a question relative to employment:

Approximately how many people are employed in Florida in the pari-mutuel industry at the present time?

MR. CAMPBELL: I was asking that question outside. I really do not know.

I suppose if you started counting up the people that have jobs related to pari-mutuel such as making harnesses, or repairing saddles, or hot walking, I do not know that figure. Maybe someone else does.

DR. ALLEN: What would you estimate would be the number of employees who would be concerned with casino operations.

MR. CAMPBELL: That would depend on

how many counties chose to go with casinos, and how many casinos you had in the counties that did choose to go with it, or whether it was successful or not, you know, whether people did come here.

But I think that really your employment that you are talking about when you have casino gambling is not going to come.

Your employment comes from your taxi-drivers, the people who work in hotels, motels and restaurants, and the community offering services to the tourists while they are in town. I think that is where your employment figures go up.

DR. ALLEN: If you have already shown increase each year in your tourist trade without legalized gambling, what efforts would you feel would accrue relative to tourism with legalized gambling.

MR. CAMPBELL: I think you are going about numbers instead of--I do not want to say "quality."

If you talked about number of tourists that come down and eat and stay in our campgrounds and eat peanut butter and jelly sandwiches, as opposed to the ones that stay in motels, hotels

and spend money.

DR. ALIEN: There might be a casino on the old campground. You never can tell. Thank you very much.

CHAIRMAN MORIN: Mr. Coleman?

MR. COLEMAN: Thank you, Mr. Chairman.

Mr. Campbell, did I understand you also have an income tax bill?

MR. CAMPBELL: Yes, sir. I am trying to, and this again, as the Governor mentioned, would amend the Constitution.

The Constitution of Florida forbids a state income tax. I would also like to have a state income tax side by side. I would like to have them side by side.

MR. COLEMAN: As to revenue, I assume you have projected, have some thoughts about your bill passing, or on implemented revenue, that it would produce for the state.

MR. CAMPBELL: You could not really say, because it would depend on a couple of things, would depend on one, maybe no county.

All my referendum does is pass it at the state level. Maybe no counties would choose

to go locally with casino gambling, maybe one, or two or three.

MR. COLEMAN: Well, is your intent, then, are you seeking this legislation just so that you can say, "We have one form of gambling over another," or is it designed basically as a revenue measure?

MR. CAMPBELL: My intent with this would be to attract tourists. I have also filed off-track betting, and I would sense that casino gambling is a way to attract tourists here, to have them spend the money.

MR. COLEMAN: Thank you very much.

CHAIRMAN MORIN: Mr. Phillips?

MR. PHILLIPS: Mr. Campbell, as I understand it, racing and jai-alai are not on a county-option basis in the state of Florida at the present time. This is, the state has been divided geographically, I take it, for purposes of issuing permits.

MR. CAMPBELL: Let me, I think that if you are going to have jai-alai, for example, you must have a local referendum into your county. That is a local referendum. I am not sure about the

horse racing, dog tracks.

That may be something like a hundred mile difference between the two or something.

MR. PHILLIPS: The point that I am getting at is, that if you allow the local option basis, does this not also have a domino effect such like the states are arguing with respect to the state lotteries; namely if two counties go in and the neighboring counties feel like they are losing business to those counties, and they had better put it in, which is exactly the testimony we have had from the states with respect to the lotteries.

MR. CAMPBELL: I am sorry, was there a question?

MR. PHILLIPS: Is there not a danger that that is exactly what is going to happen so that you are not getting a true referendum anyway.

MR. CAMPBELL: I think if you have a local referendum back in each county where those people can vote for themselves and say, "If Dade County goes with it, Broward County may vote to have casino gambling too."

This goes back to the local option,

the people making that choice. I am for that.

MR. PHILLIPS: But what I am saying, they are voting for it for entirely different reasons than they might otherwise vote.

MR. CAMPBELL: You mean--I am not following you. They are voting for it because they are trying to draw tourists away from other countries?

MR. PHILLIPS: Tourists are being drawn away from them. I am making the same argument to the counties that we are getting with respect to the states, that one state puts in a lottery, and other states feel they must put in a lottery, because money is going out of the state.

Is not the same danger going to happen?

MR. CAMPBELL: It could be. It's possible in 35 years you may have 35 counties that have casinos.

MR. PHILLIPS: All of them unprofitable, perhaps?

MR. CAMPBELL: Perhaps, but that is the American way.

MR. PHILLIPS: But you do not allow

competition in your racing industry at the present time.

MR. CAMPBELL: I do not. I do not have that. I do not know that that is regulating it so you can control it. And as a matter of fact, I am not too sure we don't have too much regulation in some of these areas.

I think we should regulate, you know, how it is run, but as far as the number, I am not sure you should regulate that.

MR. PHILLIPS: Thank you.

CHAIRMAN MORIN: Miss Marshall?

MISS MARSHALL: Just one question: The Department of Justice and the F.B.I. have provided our Commission with figures that indicate that 20 to 30 million dollars is being grabbed illegally on a yearly basis. And out of that figure 40 percent is attributable to sports bookmaking.

The next largest percentage is attributable to illegal bookmaking on horses, and by far, the smallest percentage is attributable to illegal casino-type games, dice games, card games, et cetera.

In the interest of production of

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revenue, would it not be more successful to attempt to institute a legalized sports bookmaking operation, thereby accomplishing perhaps two purposes. Number one, the production of revenue based on the fact that that is the largest source of illegal bookmaking. And also combatting crime in the sense that this is the most common form of illegal gambling, and therefore the most common source of law enforcement efforts in the illegal gambling field:

MR. CAMPBELL: I think you are correct in what you are saying. That would probably be so if your sole purpose was to combat crime.

Again, my argument for the casino gambling is to attract tourists, and I do not think legalized sports betting is going to attract tourists to Florida, and casino gambling will, although it may solve the problem you are talking about.

MISS MARSHALL: Thank you.

CHAIRMAN MORIN: I guess there are no further questions, and we thank you very, very much for coming.

MR. CAMPBELL: Thank you very much.

CHAIRMAN MORIN: The hearing will

now adjourn. We will reconvene at 1:30.

(Thereupon a recess was taken for lunch at 12:30 p.m., after which the hearing resumed at 1:35 p.m., and the following proceedings were had:)

CHAIRMAN MORIN: The first witness we shall hear from this afternoon is Mr. Paul Rico, Vice-President of World of Jai-Alai, Inc.

I was trying to find Mr. Rico in the Annual Report of Business Regulation. Do you represent the frontons?

MR. PAUL RICO: Well, four frontons in Florida, and one under construction in Hartford, Connecticut. We have Miami Jai-Alai, Tampa Jai-Alai, Fort Pierce and Seale Jai-Alai in Florida.

CHAIRMAN MORIN: Thank you very much for coming. I think we have some mutual friends in the city of Boston, do we not?

MR. RICO: Probably. I am originally from Boston.

CHAIRMAN MORIN: Mr. Rico was formerly with the Federal Bureau of Investigation. Do you have a prepared statement.

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MR. RICO: I will read it.

Billed as the world's fastest sport, jai-alai means "merry festival," in the language of the Basque region where the game originated in the Middle Ages.

It provides rapid-fire action, combining elements of handball, squash, dog racing, bullfighting, gymnastics and mountain climbing, and is faster than any of these games. It is played in France, Italy, the Philippines, Mexico, Indonesia, and formerly was popular in Cuba.

Wherever it is played professionally, it is a popular amateur sport. A jai-alai fronton also serves as a social center with dining facilities, lounges and fast food service.

The game is played on a huge three-sided court, that the explosively bouncy pelota, which is a rock-hard ball, smacks against the granite-faced front wall, often at speeds in excess of 150 miles an hour, after being hurled from a cesta, which is a narrow, crescent-shaped wicker basket strapped to the player's wrist.

The object of the game is to bounce the ball off the front wall with enough speed or

spin so it cannot be returned with a single bounce.

Players are so skillful that rallies often last up to three minutes. An average game lasts eight to twelve minutes, and unlike many other sports there are no boring timeouts.

The American game is adapted to the pari-mutuel system. Eight one or two-man teams compete for seven points. Two players or teams play for one point, the losing side retiring from the court and the winning side continuing to play until it loses a point and is retired, or wins enough points to win the game: playoffs determine second place and third place positions.

Betting is the same as at horse races, each player being identified by a number that is called "post position."

Quinelas and perfectas, sometimes called "exactas," now familiar in pari-mutuel wagering, are actually the invention of World Jai-Alai management.

The program normally consists of twelve games a night--ten doubles and two singles. To equalize the chances of each doubles team, the watchmaker pairs superior players with players of

lesser ability when he takes up the fields for each game.

Miami Jai-Alai, the oldest jai-alai fronton and the first operation of the World Jai-Alai, commenced in May 1925, and pari-mutuel play was started in 1935 when legalized pari-mutuel wagering was approved by the State of Florida.

This state has a virtual American monopoly on the game of jai-alai betting. Jai-alai betting did not go beyond Florida until 1973, when a fronton opened in Las Vegas.

Other frontons are now being built in Connecticut and Rhode Island.

As you know, pari-mutuel wagering on jai-alai, legalized in 1935, is betting by members of the public against each other. The fronton acts as a broker for wagers by the public, and deducts a commission fixed by state law and shared by the fronton and the State of Florida.

Neither the fronton nor the state has any interest in which player or team wins a given game.

Pari-mutuel is the fifth largest producer of revenue in the state of Florida. As

for the honesty and integrity, Thomas G. Osran, Jr., pari-mutuel operations Board member for the Board of Business Regulations, Division of Pari-Mutuel Wagering, wrote in 1973:

"The records of this Division do not indicate any irregularities in the conduct of Florida frontons in any season since the inception of this type of pari-mutuel operation."

And of course, this is also the situation as of today. Last year in 105 operating days, Miami Jai-Alai generated 47 million dollars in mutuel handle and drew over a million patrons. Both figures were world records.

A world record attendance of 14,447 bets was recorded on December 24th, 1974 at Miami Jai-Alai, while the world record handle of \$636,461 was achieved on April 29th, 1975 at Miami Jai-Alai.

Now, let us look at some of the figures relating to the dramatic growth of the popularity of the sport. I have brought some charts to indicate to you some of this growth (indications).

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These are all based on figures provided by the Division of Pari-Mutuel Wagering in the state of Florida.

And this chart, here, shows in the seasons of 1965 to 1975 the actual growth and handle, the jai-alai average growth of 99 percent, greyhound 54 percent and horse racing minus 23 percent.

And in attendance we have (indicating), jai-alai 29 percent growth, greyhounds one percent and horses minus 25 percent.

CHAIRMAN MORIN: What period is that? I am sorry.

MR. RICO: From 1965 through 1975.

CHAIRMAN MORIN: Thank you.

MR. RICO: Okay?

CHAIRMAN MORIN: Yes.

MR. RICO: This is just for performances.

World Jai-Alai supports training schools in France, Spain and the United States, where young players may receive four or five years of training for a professional career. World then selects the top players and the rest of the roster

is then made available to other jai-alai frontons around the globe.

Certainly the most important aspect of any pari-mutuel aspect is the management. They determine the integrity of the operation and its ability to provide the public with continuing high quality entertainment, while making a contribution to the area economy.

Let us review the background of the world's largest jai-alai operation. The President and Chief Executive, John B. Callahan, is a certified public accountant and former partner in the firm of Arthur Andersen & Company.

The Chairman of the Board, L. Stanley Berenson, is considered America's leading authority on the sport.

The other officials of the firm include CPA's, successful businessmen, and a former F.B.I. agent, myself. In fact, World Jai-Alai has brought into the company five former F.B.I. agents, and one of them is the general manager in Ocala.

Last year, World Jai-Alai in four frontons generated over half a billion dollars for charity. We believe this to be the highest amount

Jack Berenson
President
World Jai-Alai

generated for charity in one year by any pari-mutuel company.

In summary, I can say that jai-alai's rapid growth in popularity is based on a fascinating, ancient sport requiring complex skills but which is fortunately easy to understand.

As you have seen during this presentation, it is the desire of World Jai-Alai to provide this Committee with as much detailed information about the sport as possible, and we invite your questions now and in the future. That is it.

CHAIRMAN MORIN: Thank you very much. I think jai-alai is sore stranger to the Commission. This is the first state we have been in where we have had any testimony concerning it.

I think that some of us are going to try to get acquainted with the game tonight. I wonder if you have any advice as to where we could get some good handicaps?

MR. RICO: Well, unfortunately we are not open this evening. We are not open until December 18th.

CHAIRMAN MORIN: That takes care of that. Senator Taft may have some questions for you.

SENATOR TAFT: I do not have any questions at this time.

CHAIRMAN MORIN: Dr. Allen from Philadelphia.

DR. ALLEN: What would you say, sir, was the rate of interest that has been manifested by either the citizens of Florida, or the tourists who come to Florida, for jai-alai over the past five years?

MR. RICC: We have experienced a tremendous growth in attendance and in handle in the past five years, and I believe it's mainly attributed to the fact that once an individual sees the sport in action, it is something that takes longer than the other pari-mutuel contests in the state of Florida, and is something that can be enjoyed without actually plunging deeply and trying to take home all the marbles at one time.

We do not have a large per-capita betting on the sport, but we have been able to attract more patrons to jai-alai in Florida last year than the horse races, which is sort of unusual.

DR. ALLEN: Have you adjusted your schedule to fit the mass of tourists.

JACK MORRISON
JACK MORRISON
JACK MORRISON

MR. RICO: Right. We do have open the two largest frontons in Florida to attract the tourists, right, both Miami and in Tampa.

DR. ALLEN: So that you will still be open prior to the December 15th season, and now you are open after the December 15th season?

MR. RICO: Yes, but we open Miami December 18th, and we actually open Tampa a little later, January 17th this year, right.

DR. ALLEN: What is the length of your season?

MR. RICO: 105 days and 50 ratinees, plus we run four days for charity at each fronton.

DR. ALLEN: Have there been any studies done that could give us some details as to what the average jai-alai person, attending an average jai-alai match, bets.

MR. RICO: I believe that our files indicate that the average per-person bet would be \$43 per person, and that would be as opposed to Hialeah or Gulfstream during the winter racing dates, about \$100.

DR. ALLEN: What kind of odds do you give? Are the odds in jai-alai better than the odds

in jai-alai better than the odds you get at pari-mutuel racing tracks?

MR. RICO: Well, normally what transpires in jai-alai is it is very difficult for the fans to bet any particular team down to become a shot price favorite.

But actually what you're doing when you are making a bet on a jai-alai game, you are betting that you know more about jai-alai than the players' manager that has handicapped the game.

And he has been at it for a long time, so he tries to make it a perfectly even game. So that as a result, you will find that the odds are not shot-priced odds in that we normally, the quiniela wagering will probably end up with about a 30 some odd dollar return for a \$2 wager.

Whereas in your dog tracks and your horse tracks, by the very nature of the sport there will be some shot-price favorites. If they happen to come in you can get a very small return on your investment.

DR. ALLEN: Thank you very much.

CHAIRMAN MORIN: Mr. Coleman?

MR. COLEMAN: Mr. Chairman, just one

question: Is there any, to your knowledge, would there be much illegal wagering outside the arenas in this sport?

MR. RICO: I would say that the amount of illegal wagering would be very minimal, because the game itself is not only hard to predict, but it is actually, people bet on it because it adds to the enjoyment of watching a spectator sport.

To my knowledge there are no active bookmakers that are handling action outside of the frontons.

And we do not allow the programs to be sold outside of the frontons, so that I think that of course it is possible, that if we had the only game in town, action would be taken out outside, but since we have dog racing and horse racing in Florida, we have never run into anyone handling the action on pari-mutuel.

MR. COLEMAN: The nature of the game would almost mandate you be present.

MR. RICO: Right.

MR. COLEMAN: Thank you very much.

CHAIRMAN MORIN: Mr. Phillips?

MR. PHILLIPS: No questions.

CHAIRMAN MORIN: Just looking here, I see now, I find that you handled about a hundred, looks like maybe 110 million.

That translates into a net pari-mutuel of 13; is that correct?

MR. RICO: Yes.

CHAIRMAN MORIN: You keep owing 10 percent of the 13, 110?

MR. RICO: I'm sorry?

CHAIRMAN MORIN: If you handle, your initial statements, I am just trying to get a picture here, it seems to be 110 million?

MR. RICO: Uh-huh, yes.

CHAIRMAN MORIN: Your net pari-mutuel revenue is 13 million, indicating that you ought to be in the vicinity of 10 or 11 percent for a balance of 89 percent that goes back to the bettor?

MR. RICO: Yes.

CHAIRMAN MORIN: So that you are roughly, then, competitive with horse racing; is that not so?

MR. RICO: Yes, right. The same amount of money is taken out of pari-mutuel wagers in Florida. 17.4 percent is taken out of every

dollar bet in the state of Florida on any pari-mutuel operation.

CHAIRMAN MORIN: I did not realize that they had the same laws applicable to jai-alai as applicable to horse racing.

MR. RICO: Yes.

CHAIRMAN MORIN: I think that your statement refers to certain figures which I do not think you brought out, and that is comparative handle with other pari-mutuel wagers. Did you show that? You had the gross figures?

MR. RICO: Yes, I had the figures (indicating) which show the increase adjusted for performance in the attendance for 10 years, and the increase in the handle, also adjusted for performance.

CHAIRMAN MORIN: The total, how does the total handle compare with horse racing and jai-alai in Florida?

MR. RICO: The total handle? The total handle would be horses 360 million dollars; dog racing is 635 million; and jai-alai is 204 million.

Our return is smaller, but our growth

has been faster.

CHAIRMAN MORIN: Okay, Senator Taft.

SENATOR TAFT: What effect do you think casino gambling would have on your organization?

MR. RICO: I personally feel that casino gambling would adversely effect every pari-mutuel operation in the state of Florida.

SENATOR TAFT: How much?

MR. RICO: I have no way of judging that, but I am sure that it would have some effect on some of the pari-mutuel operations.

SENATOR TAFT: What amount of revenues are we talking about, other than a pari-mutuel revenue in dining, bar and so forth?

MR. RICO: Yes, we handle our own concessions. We have eight bars at Miami Prenton, liquor establishments, and we have two restaurants.

And we, as I say, we service our own facilities in all aspects.

SENATOR TAFT: What part of your revenues would come from that, what percentage?

MR. RICO: Actually, I'd be guessing if I told you, but it's not a very large percentage.

We hope to increase that, but it isn't a very large percentage at the present time.

SENATOR TAFT: What do you charge for admission?

MR. RICO: General admission is 75 cents.

SENATOR TAFT: Thank you very much.

CHAIRMAN MORIN: Miss Marshall from the staff.

MISS MARSHALL: Mr. Rico, I wonder if you could acquaint us, please, with the security problems that are most prevalent in jai-alai operations.

MR. RICO: We run into the same type of security problems that most pari-mutuel operations have.

You have to be alert for individuals that want to get as 10 percenters; that is, if anyone has a winning ticket that returns over \$600 for two, rather than go up and declare themselves the winner and sign the IRS form, they look for somebody to go up and cash the ticket for them.

And normally they charge 10 percent to do this, and of course, they usually use stolen

MISS MARSHALL: When this Commission held hearings in Nevada we were told by a representative of MGM Hotel there that their players' personal lives, in essence, are very closely regulated, the hours that they keep and their general behavior.

Is this the case with World Jai-Alai as well?

MR. RICO: Yes. Each one of the frontons has a players' manager who closely follows the activities of the players, and they are subject to fine if they commit any breach of the ethical code that is set down by the players' manager.

MISS MARSHALL: Have you experienced, or do you know of any criminal prosecution within the state of Florida, sir, involving any type of illegal activity at the jai-alai frontons?

MR. RICO: Of course we have had individuals arrested on charges that are unrelated to jai-alai at Miami Jai-Alai.

MISS MARSHALL: No, I am thinking of charges related specifically--

MR. RICO: No, there has never been any charge even brought in any irregularity to

players at jai-alai fronton in the state of Florida.

MISS MARSHALL: Thank you, Mr. Rico. On behalf of the staff I thank you for your assistance to us.

MR. RICO: Thank you.

CHAIRMAN MORIN: Thank you very much again for coming.

Our next witness is Mr. Atlee Wampler, attorney in charge of the Organized Crime & Racketeering Section, Regional Office of the United States Attorney, so-called "strike-force."

Since our Deputy Director is one of your alumni, we would be more than happy to welcome you here, and thank you for coming.

MR. ATLEE W. WAMPLER, III: Thank you very much, Mr. Chairman.

Mr. Chairman, distinguished members of this Commission, ladies and gentlemen, good afternoon.

I am Atlee W. Wampler, III. I am the Attorney-in-Charge of the Miami Regional Office of the United States Department of Justice, Organized Crime & Racketeering Section. Our operation is known as the Miami Strike Force.

Miami Strike Force jurisdiction is the field of organized crime and racketeering activities within the Southeastern United States and the Caribbean Islands.

We have a field office in Tampa, Florida, with two attorneys; a field office in Atlanta, Georgia, with one attorney; and the main office in Miami, Florida, with seven attorneys and 15 investigators from the ranks of federal and state law enforcement agencies.

Our investigations are carried out by units from the law enforcement agencies represented on and who work with the Strike Force. We work in close concert and coordination with the United States Attorneys in their respective districts.

The legislative history to the various federal anti-gambling laws and the commission studies recommending the legislation, state that gambling revenues form the biggest percentage of income for organized crime operations.

I have personally been involved in various aspects of enforcement of federal anti-gambling statutes and organized crime-related

JACK HORVATH
Special Agent in Charge
Miami, Florida

investigations and prosecution for almost six years in Detroit, Michigan; Tampa, Florida; Atlanta, Georgia; Miami, Florida.

Based on my personal experiences I can state that a large percentage of major gambling operations are supervised by, financed by, owned by or operated by organized criminal figures or their associates.

Henry Trafficante in Tampa, Florida was indicted as a supervisor of a \$100,000 gross weekly a week sports gambling operation. He was convicted as such and sentenced to serve two four-year terms in prison consecutively. Numerous major associates of organized crime figures have been convicted of offenses involving their gambling activities and sentenced from five years in prison to probationary terms.

Investigations to the pyramid of financing and ownership of these gambling operations continue today. Identified organized crime members have been factually established as financiers, owners and operators of illegal gambling operations in the Southeast United States.

The legislative history to the various

Federal anti-gambling laws and the commission studies underlying them state that the undeclared, untaxed income from illegal gambling operations is used to finance loansharking industry, illegal narcotics importation and distribution, and official corruption.

Our investigations and prosecutions in the Southeastern United States have conclusively proven that illegal gambling income is used for the financing and operation of those other illegal industries that are far more feared than the illegal gambling operation that supports them.

We have factually established that loansharking operations work hand in glove with illegal gambling operations to provide individual gamblers with instant credit and further financial and probably physical woes.

We have factually established that major narcotics importers and distributors in the Southeast United States directly financed their heroin and cocaine and multi-ton marijuana importation operations by loanshark loans, which money came from illegal gambling operations.

Numerous investigations and several

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prosecutions are in progress in the Southeast United States that have factually established that law enforcement officers have been bribed to thwart the faithful execution of state gambling laws.

Additionally, we have investigated and prosecuted organized crime associates for crimes that have their genesis in legal and illegal gambling activities. These crimes ancillary to gambling include fraud schemes, scams, extortions, burglaries, prostitution and murders.

There are many individuals who participate in gambling activities who have a compulsive gambling mental disease.

There are many individuals that gamble that are wealthy or have access to large sums of money. Gamblers' parasites conducting these crimes ancillary to gambling are out to get the gamblers' money in every way imaginable. The gamblers become targets for fraud artists, blackmailers, prostitutes and scam artists.

The murders we have investigated have been in connection with in-house organized crime territorial disputes. We have factually established these criminal activities are directed

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at gamblers and the gambling dollars, and are located where gambling activities operate.

Based on my experience, I believe that the greater the incidence of gambling activities, the greater the number of ancillary criminal activities.

The financial power of organized crime comes from illegal gambling and legal gambling operated in all illegal manner. That money generated from illegal gambling is used to finance loansharking, narcotics importation, and distribution and public official corruption. One tool of law enforcement to extricate organized criminals from society are the federal anti-gambling laws.

In considering total or limited decriminalization of gambling, this Commission should consider the probable increase in crimes and influx of criminals in ancillary criminal activity to gambling operations; the economic impact on established legal gambling industries; whether organized crime gambling revenues will be declared by decriminalization; citizens exposed to affinity for gambling who would not be so exposed unless gambling were readily accessible; and the

probability of organized criminal control or partnership in gambling activities legalized.

I recommend a continuation of federal anti-gambling legislation and law enforcement activities.

I thank you for the invitation to express my views, and share with you my experiences, couched in generalities, unfortunately, due to pending investigations, prosecutions and appeals.

CHAIRMAN MORIN: Thank you very much, Mr. Wampler.

Before we start questioning, I think for the record it would be helpful if you would describe to us what you mean by "organized crime figures, organized criminal figures."

MR. WAMPLER: What I am speaking about here are those individuals who have been identified during the various Congressional investigations over the years into organized criminal activities.

There are a number of Senate reports, Congressional reports that identify individuals as being various officials or lower echelon figures in organized criminal operations.

Additionally, since those Senate Congressional investigations have occurred, there is a continual updating through information that is developed by the Federal Bureau of Investigation as to changes or in the hierarchy of criminal structure or new individuals who were not previously identified as being members of an organized criminal activity.

CHAIRMAN MORIN: Are you restricting it to the segment of organized crime which is commonly known as La Cosa Nostra; that is the major Mafia or Cosa Nostra criminal families?

MR. WAMPLER: For purposes of this Commission inquiry, that is correct, sir.

CHAIRMAN MORIN: I am asking the question because we have encountered several organized criminal operations which are not so associated, although no less organized.

MR. WAMPLER: Yes, sir, and we target those other operations, other than the LCN, as you identified, as targets for our operations.

But for purposes of your inquiry with the Gambling Commission, that is what I am identifying as organized crime members.

CHAIRMAN MORIN: I guess I might have misunderstood you.

That is, you are identifying, when you say "organized crime," you were identifying the LCN operation, not taking in the independents?

MR. WAMPLER: I am not taking in the independents.

CHAIRMAN MORIN: Senator Taft?

SENATOR TAFT: You say on Page 1, "The legislative history to the various federal anti-gambling laws and the commission studies recommending the legislation, state that gambling revenues form the highest percentage of income for organized crime operations."

Is that your opinion, too?

MR. WAMPLER: Yes, sir, it is.

SENATOR TAFT: Do you have an opinion as to what we are talking about insofar as Florida is concerned, or your area is concerned, as to what the percentage of income, organized crime income, comes from gambling?

MR. WAMPLER: I have seen percentages that have been related to this Commission in the past for the Southeastern United States which were

prepared prior to my arrival in this present position.

Those estimates as I recall included a figure somewhere between 30 and 40 percent of the identified major gambling operations as being controlled by organized crime operations.

SENATOR TAFT: Are these legal or illegal operations, or both?

MR. WAMPLER: These are strictly the illegal operations.

SENATOR TAFT: What type of operations are you talking of here? You are talking of bookmaking, obviously?

MR. WAMPLER: Largely, of course.

SENATOR TAFT: Illegal bookmaking. Is that the principal one?

MR. WAMPLER: Yes, sir, largely sports bookmaking, which true to form, naturally in the Southeastern United States, still runs about 60 percent of all gambling activities.

SENATOR TAFT: Where are the bets laid off from this illegal bookmaking activity?

MR. WAMPLER: Well, we have been able to identify in a number of instances, a national

layoff hierarchy.

Miami is, I understand, unusual in the aspect that there are a number of independent illegal bookmaking operations.

But a number of these operations that we have identified here, and also in other areas of Florida and Atlanta, utilize a national chain of layoff banks in order to insure against excessive losses.

SENATOR TAFT: Where are they located?

MR. WAMPLER: Several we have identified are through the New York City chain of layoff operations, and probably eventually back to Las Vegas.

SENATOR TAFT: You do not know that, whether it goes back to Las Vegas or not?

MR. WAMPLER: I can't answer that questions, Senator.

SENATOR TAFT: How about Los Angeles.

MR. WAMPLER: We have had a number of investigations that show the origin of line information participation by Los Angeles elements.

SENATOR TAFT: Other than the bookmaking operation you talked about, what other

sources of this income for organized crime operations comes from various other types of gambling?

MR. WAMPLER: Well, there are bolita operations here, although they are largely controlled by an element that is not strictly identified with the traditionally known LCN operations.

SENATOR TAFT: How about the pari-mutuel betting? Is there any revenue coming to organized crime operations from pari-mutuel betting?

MR. WAMPLER: Yes, Senator. We have had evidence of illegal betting being done within the legal pari-mutuel operations where there is actually illegal gambling going on inside the tracks by individuals who extend credit to the individual gamblers inside the tracks.

SENATOR TAFT: You are talking, now, of what tracks?

MR. WAMPLER: Horse racing.

SENATOR TAFT: Horse racing?

MR. WAMPLER: Senator, yes.

SENATOR TAFT: Thoroughbred racing?

MR. WAMPLER: Additionally, we have had a number of investigations that have indicated that there have been, at various times, horses and

horse racing that have been in the parlance of the race "bulled," that is that there was some fixing, there was some fixing of horse racing operations in the past.

SENATOR TAFT: Again you are talking about all kinds of horse racing, or you are talking about thoroughbreds?

MR. WAMPLER: Thoroughbred racing, Senator.

SENATOR TAFT: When you mentioned back there, "Numerous investigations and several prosecutions are in progress in the Southeast United States that have factually established that law enforcement officers have been bribed," you are talking about state officials in the state?

MR. WAMPLER: State officials, state law enforcement officers: yes, Senator.

SENATOR TAFT: Not federal?

MR. WAMPLER: Not to my knowledge.

SENATOR TAFT: There was mention of legal gambling operated in an illegal manner.

Financial power or organized crime comes from illegal gambling and legal gambling operated in an illegal manner. Is that what you

were just describing within the pari-mutuel operations?

MR. WAMPLER: That and the instances we have, and are currently investigating, concerning racinos used to fix horse races or pull horses.

SENATOR TAFT: You say you recommend "a continuation of federal anti-gambling legislation and law enforcement activities."

Is the legislation you are talking about the state legislation, federal gambling stamp.

MR. WAMPLER: Well, not only the state legislation, itself, but the legislation such as in the illegal gambling business legislation, 18 U.S.C. 1965, the full panoply of anti-gambling laws.

SENATOR TAFT: Do you have these recommendations for any additions or changes in these laws that might make the enforcement effective?

MR. WAMPLER: These laws seem to be workable enough so that with the proper amount of investigative talents applied, generally any illegal gambling operation, or legal gambling operation that functions illegally can come under the

rabbit of the full panoply of those laws.

I am not sure exactly how we could better them, but I am sure, with those laws, we will be able to get at the most egregious violations.

SENATOR TAFT: How about the use of Internal Revenue Code Tax Laws in this connection.

Do you cooperate with IRS in that respect?

MR. WANPLER: Yes, we do, Senator. And we do cooperate with the Alcohol, Tobacco & Firearms Agency that received jurisdiction under the recent law.

We do and have had several prosecutions along that line. I was intimately involved with several of them.

SENATOR TAFT: Was your office been involved in this recent shift in Bahamas investment investigation from the Alcohol Tax Unit to the Justice Department?

MR. WANPLER: We haven't been involved in the shift, but we have been involved with that investigation.

SENATOR TAFT: Is that involved in any way in organized crime, illegal gambling?

MR. WAMPLER: As to the facts that have been presented to me; yes, sir.

SENATOR TAFT: Thank you very much.

CHAIRMAN MORIN: Dr. Allen?

DR. ALLEN: Sir, what is the incidence of gambling related to corruption in the City of Miami, for example?

MR. WAMPLER: It is hard to place a percentage, or say it is greater or lesser than it is in relation to somewhere else.

But there are allegations of police corruption within Miami, and there are investigations going on, today, concerning such possible corruption activities having occurred in the past.

DR. ALLEN: Has there been any recent convictions or indictments relative to that matter within the last two years?

MR. WAMPLER: Well, there has been in the Jacksonville, Florida area. I do not know of any convictions of individuals who were alleged to be corrupt by gambling activities, themselves, other than there were several prosecutions that the Miami Strike Force has had in the past which involved corrupted officials that were corrupted

by gambling monies.

But it wasn't a direct type of relationship between the corrupted official and the gambling operation, itself.

DR. ALLEN: Would you say that in the state of Florida sentencing for gambling convictions were on a high level, or do they get maximum sentences, or are they classified in the state of Florida more or less as "leoning judges," an East Coast term.

MR. WAMPLER: I am only familiar with the federal experience and the sentences vary. There are large numbers of cases that have been recently completed in terms of prosecution here that had been long delayed for as much as five years because of the number of legal decisions, particularly involving irregularities in the authorization of wiretap procedures that have been disposed, and I use that term as probably largely how it happened, because of their antiquity and the complexity of problems involved in them.

A large number of probationary terms resulted more from a question of plea bargaining rather than judicial determinations made, other

than ratifying the plea bargaining arrangements that have occurred.

There have been some very good sentences for some of the egregious violators. I mentioned the one that was given to Henry Trafficante. There were a number of major gambling figures who received five, four years, three years, two years incarceration.

A lot of people who were involved in these operations received probationary terms. By far and large, the vast majority of terms are probationary terms.

DR. ALLEN: Thank you.

CHAIRMAN MORIN: Mr. Coleman.

MR. COLEMAN: I have no questions.

CHAIRMAN MORIN: It seems to me that from your statement, then, that your major illegal gambling operations are in the area of sports gambling as opposed to the bookmaking; that is, gambling on sporting events.

MR. WAMPLER: Gambling on sporting events and bookmaking on sporting events; yes, sir.

CHAIRMAN MORIN: Generally so-called pools, or on the specific event. Is it event

gambling?

MR. WAMPLER: I see perhaps I did not understand your distinction.

But, yes, the large percentage is on the direct sports gambling as opposed to--

CHAIRMAN MORIN: Football cards?

MR. WAMPLER: Football cards, that sort of thing. It is highly popular.

CHAIRMAN MORIN: Supposing the states would operate it, would that make any dent in the illegal operations?

MR. WAMPLER: If the state were to operate sports gambling betting?

CHAIRMAN MORIN: Yes.

MR. WAMPLER: Well, it probably will not, because I don't know how the state could operate a gambling operation without some benefit occurring to the state for some specific purpose such as a revenue-producing or taxing of the revenues of it coming in from the gambling.

Those monies that would be accrued for schools, for civic purposes, whatever, are going to lessen the percentage of profit that can be offered to the people, the gamblers themselves.

Additionally, it is very difficult for the state to operate any sort of a credit relationship to the individual gamblers, which is one thing that people involved in illegal gambling activities offer to an individual gambler, the traditional loansharking, or the credit factor.

There are a lot of expenses, a lot of costs that organized crime and illegal gambling operations just don't have that the state would have to have to run its bureaucracy, to run the legal sports gambling operations.

The question of turning over Form 1099's on large hits to bettors, certainly a better would much rather gamble with an illegal operation where he didn't have to report the taxes on it, than he would with a legal operation where he might have to have Form 1099's filed under his name, Social Security number.

For all those reasons, I think it would be very difficult for a state to compete with an illegal gambling operation.

CHAIRMAN MORIN: You say, "Certainly the better would rather bet with the criminal source, because he does not have to pay income tax."

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MR. WAMPLER: Perhaps I have overstated that, sir, but I think a fair portion of the people who gamble would rather not see their wins reported.

CHAIRMAN MORIN: Who was inquiring for the staff?

MISS MARSHALL: I was.

CHAIRMAN MORIN: Miss Marshall.

MISS MARSHALL: Mr. Wampler, the past experience of the Miami Strike Force was such that the vast majority of personnel, of manpower of that office was spent in the enforcement of gambling statutes. Is that still the case with the Strike Force?

MR. WAMPLER: No, it is not.

MISS MARSHALL: Could you estimate for us what percentage of your staff's time is spent on anti-gambling violations?

MR. WAMPLER: I would say at this point approximately 50 percent, and that's basically due to recently, not to the number of investigations that we have had in the gambling area, but mostly due to the need for us to prepare the

cases that we have had over the past years, certainly when you were involved in the Miami Strike Force operations, for trial.

Because plea bargaining arrangements occurred at the last hour, the cases had to be prepared for trial, and it has taken vast amounts of time.

MISS MARSHALL: Do I understand, then, that there has been no deemphasis in the amount of efforts expended toward gambling violations? It is just a matter of trying to catch up.

MR. WAMPLER: It is not the deemphasis. The emphasis has shifted to extortion operations, extortion of credit operations that are within the Southeastern United States, and certainly within this area.

MISS MARSHALL: Again, sir, past experience showed that the best efforts of the Strike Force created a change in the character, or perhaps the level of the gambling operations, but they did not cease to exist.

They merely changed their format, perhaps changed their personnel, but continued to operate. And, in fact, continued to operate at as

great, if not better level of volume. Is that still the case, sir?

MR. WAMPLER: It is still the case: yes. The pattern of activity has changed tremendously since their understanding of the criteria necessary to prepare court-authorized wiretap authorizations, which has become known to them.

Once they figure out how we were able to get at their gambling operations, they have adjusted themselves accordingly so they would be able to elude our investigative efforts.

MISS MARSHALL: Have you any suggestions, sir, as to how perhaps this problem could be alleviated?

MR. WAMPLER: I think the legislation that currently exists properly puts the burden for anti-gambling enforcement upon the state, which is where it should be.

The major operations that should be the focus of federal investigative activities are still visible enough for us to be able to get crack at them sooner or later.

MISS MARSHALL: Well, I understand, Mr. Wampler, that the alacrity of your efforts are

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directed against sports bookmaking operations.

Have you noticed any trend toward utilization of the New York City Off-Track Betting operation as a layoff facility for bookmakers involved in acceptance of wagers on horses, illegal wagers on horses?

MR. WAMPLER: I don't have that information available to me. Perhaps that question would be better directed to the personnel from the Federal Bureau of Investigation.

MISS MARSHALL: Thank you, sir. By way of closing, I would like the Commission members to know that Mr. Wampler and I first met in Detroit while we were both working under the able direction of Jim Ritchie.

Since then, Mr. Wampler has risen to prominence in the Strike Force, and I am still working for Mr. Ritchie.

CHAIRMAN MORIN: Thank you very much.

Our next witness is Mr. Julius Mattson. Thank you very much for coming, sir. Identify your colleagues for us.

MR. JULIUS L. MATTSO: Lady and gentlemen of the Commission, this is Mr. Eugene

JACK BOKY (L.S. ANN. 10)

11.4 ANN. 10 (L.S. ANN. 10)

12.4 ANN. 10 (L.S. ANN. 10)

McKinney (indicating), and on my left is Mr. Benjamin Grogan.

CHAIRMAN MORIN: Welcome here. Thanks for coming. You may proceed, sir, I am sorry.

MR. MATTSON: Mr. Chairman, lady and gentlemen of the Commission, I have a prepared statement, if you please.

My name is Julius L. Mattson. I am Special Agent In Charge of the Miami Office of the Federal Bureau of Investigation.

This office has jurisdiction over the southern one-third of the state of Florida, 13 counties in all, which include the large metropolitan areas of Dade and Broward County.

I have already introduced Mr. Benjamin P. Grogan, and Mr. Eugene J. McKinney, both of whom have been supervisors in the gambling and organized crime fields for the past several years.

I have been informed that several of my associates from other F.B.I. offices have appeared before this Commission and have explained this Bureau's jurisdiction in gambling and organized crime-related investigations, as well as the

pertinent federal statutes.

My attention today is to briefly highlight for you illegal gambling, as it relates to this South Florida area.

In so doing, I wish to point out the influence of organized crime on gambling, the types of legal and illegal gambling in this area, and the investigative efforts by the Miami office with regard to illegal gambling.

The public nature of these hearings precludes my being specific as to cases or names, since in many instances these cases are still being either adjudicated in the courts, or are still under investigation.

At the outset, I should point out to you that the Greater Miami-Fort Lauderdale area has thus far been classified by the organized criminal element as an "open city;" that is, it is not controlled by any specific syndicate or family or group.

Such is not the situation in most other major cities such as Newark, New York or Chicago.

In Miami, there are, nevertheless,

JACK ROYAL, JR., SHERIFF

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MIAMI, FLA. 33132

individuals who have banded together and set up organized gambling rings. To date no one individual or group has the say-so of who may or may not operate a bookmaking business, or of what territory he may operate it. The reason being that thus far Miami is an "open city."

I will be referring to the term "organized crime," and I would like the Commission to understand that my definition is the same as has been given by my colleagues in other cities.

Miami, being an open city, does not mean that organized crime, as we know it, is not involved in the gambling activities of the Miami area. On the contrary, we had learned from informants and Title III intercepts that certain gambling rings are owned and backed by "the syndicate," or "the organization."

The bookmakers work for the syndicate, and are financially backed by the syndicate. They must make a meticulous reporting of the winnings and losses of the operation to the syndicate. The syndicate receives a certain percentage of the operation, and sometimes furnishes local fees, if necessary.

JACK DONAGHY, Miami, Fla.

We have learned of instances wherein certain bookmakers have such expertise in bookmaking that even after they have been arrested several times by law enforcement agencies, they are still placed back in business by the syndicate.

I have been told of one case in which the "bookie" was so talented that no matter where he went in these United States to set up his operation, the "syndicate" moved in with him, advising that they had a percentage of the operation whether he liked it or not.

In addition, during the past two years there has been a notable increase in the Miami area of New Jersey bookmakers who have strong affiliation with the syndicate in the Newark area.

Perhaps their influx can be attributed to the fact that Miami and the surrounding areas, including Fort Lauderdale, foster the notion of racing and gambling. We have the tracks and the jai-alai. Furthermore, a high percentage of the population is both employed and retired. Betting is for many of them an outlet and entertainment.

In a sense, were it not for federal

Jack Rosenthal

Jack Rosenthal

Jack Rosenthal

and local law enforcement, this area would be literally a bookmaker's paradise.

It would be impossible for me to estimate correctly how many people bet with the legal tracks, how many with the bookmakers, how many with both and how many play the numbers.

In turn, it would be difficult to estimate how many bookmakers and numbers operators there are in this area. Also any estimate of the illegal gambling handle would be highly speculative.

This area has many types of legal gambling, such as the horse tracks which run almost all year long, dog tracks and jai-alai. There is no legal off-track betting on any of these events, nor is there a state lottery or any legalized casinos.

In illegal gambling we have bookmaking on sports--basketball, football, baseball and some hockey (football being the most lucrative for the player as well as the bookie.)

There is also bookmaking on horses; numbers operations, commonly referred to as "bolita," and, on occasion, casino-type gambling and cock fights.

JACK ROSSIGNOL, JR.

1964

ST. LOUIS, MO.

Cock fights and casino-type gambling, such as organized card and dice games, seldom fall within F.B.I. jurisdiction, and are handled on a local level.

Recently local authorities in Broward County made a successful raid on an organized gambling card game wherein much money was bet.

Football parlay cards are a type of gambling investigated on both local and federal levels. These cases, however, are seldom investigated in this area by the F.B.I. because of lack of jurisdiction.

In addition, the F.B.I. investigates the interstate transportation of lottery tickets and gambling devices. Miami is a port city and therefore has occasion to become involved in these type cases more so than other offices in the country.

As the Commission is aware, there is local lottery in Puerto Rico which has a drawing every Wednesday. Many of these tickets find their way into the Miami area.

The F.B.I. investigates any wholesale transportation of these tickets into the area.

except by the mails; these matters are handled by the Postal Inspector's office.

The F.B.I. has acted on information from sources and seized some of these shipments of lottery tickets; however, there has been only one prosecution and conviction.

Gambling devices are shipped through Miami en route to the Bahamas and other countries. These devices consist of slot machines and roulette wheels.

The shipper must be registered with the Attorney General of the United States, and these devices can be sent only to a state where they are legal. U. S. Customs notifies the F.B.I. whenever these shipments come through, and the shipper's registration is checked.

In a few instances it is learned that the shipper is not registered, and the gambling devices are seized.

In January of 1969 F.B.I. agents in Miami seized slot machines, roulette wheels, blackjack tables, and a complete layout for a casino operation being shipped to Port-au-Prince, Haiti.

Jack Ruby
The
1969

Not only were these illegal gambling devices seized, but also a large amount of sophisticated electronic equipment, which was being shipped with the gambling devices.

The dice tables were rigged with strong electromagnets that would allow the operators or anyone in the nearby vicinity to control the outcome of the game. The whole casino layout was "rigged." The player would have no chance of winning.

Later investigation by the F.B.I. determined that the owners of the casino were members of the syndicate.

An individual in Las Vegas was arrested and charged with shipping the equipment. He later pled guilty, and was fined \$250 on Counts 1 and 2.

The largest types of illegal gambling in this area are the numbers and sports and horse bookmaking.

Numbers operations, or bolita as it is commonly called, are most lucrative for the owners or financial backers of the operation.

I will briefly describe the operation:

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The personnel of a bolita operation is made up of writers or sellers, pickup men, counting house clerks, and a bolita operator or banker.

The writer is the one who accepts the bets on a number from the public. He may be a clerk in a small grocery store, a bartender or a barber, et cetera.

He writes down the number and the amount bet. He receives a percentage. The pickup man is the individual who goes to the writers and picks up the bets and the money. He is assigned a certain number of writers from whom to pick up.

He will then take the bets and money either directly to the counting house, or give them to another pickup man, according to the size of the operation.

The pickup man will usually either receive a salary or a percentage. All the bets and monies are brought to a counting house where they are tallied. This is done here on Tuesday and Friday nights. I will later explain the reason for these two nights.

The bolita operator is an individual who has sufficient capital to be able to withstand

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any run of losses. A bolita operator may either back his own operation, or utilize a bolita banker-- a financial backer. The bolita operator may need the help of clerks to do the counting at the counting house or bank. All counting must be done before the winning number falls.

The counting house or bank need not be a fixed location every Tuesday or Friday night. In fact, many operators have this location to frustrate efforts of law enforcement to obtain search warrants. The operators may not let their pickup men know the location of the counting house until the last minute.

The winning number falls on Wednesday morning and Saturday morning. The winning number on Wednesday comes from the winning number of the Puerto Rican lottery drawing.

All counting must be completed on Tuesday night to preclude anyone from shipping in a winning number on the banker. The winning Saturday number comes from the quinelas at the Miami Beach dog tracks on the first three races. When the Miami Beach Dog Track is closed, other local tracks are utilized.

The number is picked as follows:
Quinela for Race Number One pays \$57.30; Race Number Two, \$16.00; Race Number Three, \$27.60. The winning number is therefore 757. They always pick the first digit to the left of the decimal.

There is also a daily Cuban bolita called "Dieria," or Perros.' It is likewise based on the dog tracks. Successful operations involve 50-100 thousand dollars or more on Tuesday and Friday nights.

Horse and sports bookmakers find a large clientele in the Miami area. As you are aware, it wasn't until federal legislation in 1961, and additional legislation in 1970, that the F.B.I. had jurisdiction in these matters.

The 1961 legislation gave us jurisdiction over interstate gambling activities, and the 1970 legislation jurisdiction over local organized gambling operations which meet certain minimum specifications.

In Miami we, as well as local authorities, have investigated many large-scale operations and successfully prosecuted them.

The horse bookmaker must have the

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ability to professionally handicap a race. He gets his information not only from other bookmakers, but also from records that are printed with the history of the horse's winnings and losses, conditions of the track, competition he ran with, et cetera.

A good handicapper will also keep his own records. The sports bookmaker must get a line on the odds or point-spread prior to the game. This enables him to intelligently balance his books and lay off heavy action when necessary. Investigation here has shown that the line is phoned in daily to Miami every morning from Las Vegas. It is usually received around 10:00 a.m.

Also Miami receives a line from New York. Recent investigation shows also that a line originates in this area and is disseminated to other states. Multiple Sports News Service disseminates the line to the Miami area bookmakers--the owner of this service has been convicted in federal court for violation of federal gambling statutes.

Until recently there was a line being disseminated by an oddsmaker in Broward County, but he went out of business.

JACK HENRY, JR., Miami, Fla.

MIAMI, Fla., Jan. 10, 1964.

W. H. HENRY, JR., Miami, Fla.

The "sine qua non" of any bookmaking operation is the telephone. Prior to June of 1958 electronic surveillance was not utilized as material for search warrant affidavits on bookmaking establishments. The F.B.I. in Miami nevertheless was successful in prosecuting some interstate bookmakers--these prosecutions, however, were infrequent. We had to depend solely on informant information, surveillances, live witnesses and public records. Even with the above, successful prosecution was limited.

The Miami office was successful in prosecuting, prior to Title III, the Gilbert Lee Beckley operation. His gambling domain penetrated not only many states throughout the country, but even into Canada. His business operation handled two million weekly.

As a result of gambling raids in Miami, not only were Beckley and others prosecuted here in Miami, but there have been prosecutions in other states and even in Canada.

Beckley received a ten-year sentence in U.S. District Court in Miami. He appealed, remained free on heavy bond. His whereabouts presently

JACK HOLLY

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are unknown. He disappeared before serving any time in jail.

The telephone is one of the bookmaker's most essential tools, and law enforcement needs to have access to gambling conversations.

In June of 1968, Miami instituted one of the first wiretaps in the country based on the authority contained in Title III of the Omnibus Crime Control And Safe Streets Act of 1968. Since that time this office has utilized electronic surveillances under approximately 30 court orders. These involved major bookmakers, many of whom had several telephones, and, in some instances, bolita operations.

Bolita operations do not usually lend themselves to Title III installations in this area; however, we have had a few Title III's on bolita operations, and convictions have resulted.

Since cases from Title III's have gone to trial, or guilty pleas received, this office has approximately 90 gambling convictions. Some have received prison sentences, but the majority have received fines and probation.

Based on gambling investigations,

immunity has been afforded to some individuals. This has been successful in that these persons testified against bookmakers, and have in addition furnished intelligence information about the influence of the syndicate in gambling in this area.

Two people refused to testify and were sent to jail for the term of the Federal Grand Jury: one of these individuals twice refused to testify, and remained in jail for one year.

The Miami office, unlike other areas where the "syndicate" completely dominates the bookmaking business, has not experienced any climate of violence regarding the control of bookmaking.

Strong coercion is used by bookies on bettors who don't pay and at times threats. Sometimes the bettor who cannot pay is referred to the services of a loan shark, who may use force or threats, if necessary. Violence by bookmakers directed toward their bettors is at present infrequent in this area.

In view of the many successful efforts by the F.B.I. in bookmaking cases, and the numerous wiretaps by local authorities, bookmakers have necessarily had to refine their operations

JACK DONOVAN, JR. (S) 10-1-55

MEMORANDUM FOR THE DIRECTOR

FROM: SAC, MIAMI (100-100000)

to attempt to frustrate law enforcement.

They know it takes a certain length of time to obtain a court-authorized wiretap; hence many have adopted the practice of moving their operations every couple of weeks.

They are most circumspect about what telephones they utilize. They are surveillance conscious; their customers utilize code names and numbers to escape detection--all of which makes it more difficult to obtain probable cause.

This in no way has lessened the efforts of the F.B.I. and local law enforcement. In a sense it has compelled greater ingenuity, and offers more of a challenge to the investigation.

In addition to investigating these violations of federal law, we have previously turned over to I.R.S. seized records of bookmakers. I.R.S. has in turn placed jeopardy assessment against them for large sums.

Since Miami has a certain amount of legalized gambling, I feel confident in making a statement relating to whether legalized gambling would be the talisman for society's problems stemming from illegal gambling.

JACK ROOSEVELT
 JACK ROOSEVELT
 JACK ROOSEVELT

We have tracks where the public can go and place bets; yet many still prefer the bookmaker. Many agents even advise me that there are a few bookmakers at some of the horse tracks-- they take business away from the track itself-- inasmuch as bookmakers pay better odds and extend credit.

Were there to be legal off-track betting, there would still be bookmakers, for the same reason as above. In addition, the bookmaker is only a telephone call away. In Puerto Rico, they have a lottery, but illegal numbers operations are still "active."

We believe for these and other demonstrated reasons, the legalizing of gambling in any form does not lessen the influence of syndicated crime and its drain on the community, but to the contrary, encourages it by giving it an aura of respectability.

Local law enforcement agencies here are most active in investigating and prosecuting illegal gambling. They have had much success in both Dade and Broward Counties using Title III wiretaps.

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Although these investigations are lengthy and consume much manpower, the seriousness of the violation involved merits such efforts.

Maintaining a constant pressure against illegal gambling will better serve our citizens, because this criminal element will be frustrated and thwarted in its otherwise unrestrained preying on society.

CHAIRMAN MORIN: Thank you very much for your statement. I take it that, I think you were here when we referred to the "syndicate," we are talking about the same thing as we were talking about with Mr. Wampler; that is, what is commonly known to us laymen as "The Cosa Nostra," the major Sicilian origin, Mafia criminal family that we all read about:

MR. MATTHEWSON: Yes. Perhaps what the La Cosa Nostra is supposed to represent, the concept. But it need not be La Cosa Nostra, or Mafia or whatever, in and of itself.

There are syndicated groups throughout the country that may not be identified with so-called La Cosa Nostra.

CHAIRMAN MORIN: Although not

JACK L. MORIN, Chairman

Committee on Crime and Delinquency

U.S. House of Representatives

identified with them, they may be associated with them in some way.

MR. MATTSON: Yes, it's possible.

CHAIRMAN MORIN: We try to get it straight, because in some cities, for example in Boston, there are groups conducting large gambling operations which are not, as I understand it, technically "syndicate."

I am trying to find out what we are saying when we say "organized crime." I am just trying to get clear, for the record, what we are talking about when we talk about the "syndicate."

Perhaps Mr. Grogan would like to comment.

MR. MATTSON: I think to answer your question, though, as far as it pertains to Miami, when we speak of the "syndicate" or the "establishment," it does relate to groups including the so-called La Cosa Nostra.

CHAIRMAN MORIN: And others. I remember being confused rather than being enlightened.

I realize it includes the Godfather group. I am including the Godfather group. I

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wondering, does it include other groups, not part of that, not subject, for example, to the hierarchy somewhat respected by the payment of tribute, sharing of profits and information.

How much of the criminal element is included in this definition of "syndicate"?

MR. BENJAMIN F. GREGAN: Well, when he mentions a "syndicate" here, we also mentioned that other groups have banded together to form organized gambling operations.

And they need have no connection with what we call the "syndicate" at all. The "syndicate" as we refer to it, has been identified by the agents testifying before this Committee as La Cosa Nostra.

CHAIRMAN MORIN: Very difficult to get a handle on it.

MR. GREGAN: Yes.

CHAIRMAN MORIN: Senator Taft, please.

SENATOR TAFT: Thank you very much.

Mr. Nathan, you mentioned isi-ai at one point.

Is isi-ai tied in, in your opinion, with organized crime operations in the Miami area?

MR. NATHAN:

MR. MATTSON: We don't have any information that would so indicate.

SENATOR TAFT: Recently there has been a good deal of discussion in the newspapers, at any rate, about the investigation of tax evasion schemes by American taxpayers involving bank accounts in the Bahamas.

Is this tied in, in any way, in your opinion, to illegal gambling operations?

MR. MATTSON: We don't know that it is. We don't have any authoritative information that would confirm or dispel that.

SENATOR TAFT: Florida has a strong wiretapping statute directed against illegal gambling operations.

Has this resulted in any successful prosecutions in large-scale gambling operations?

MR. MATTSON: Yes, it has.

SENATOR TAFT: Have you cooperated with Florida authorities on that?

MR. MATTSON: In what respect? There has been cooperation. If you mean in operating the wiretap, itself: no.

SENATOR TAFT: Has there been any

use of federally-authorized wiretaps in connection with these operations with the Florida authorities?

MR. MATTSON: Not in any of those cases that are being prosecuted on a local level.

SENATOR TAFT: What is the level of gambling related to police corruption in the Miami area, in your opinion?

MR. MATISON: We really have no information to show that gambling is involved in police corruption or vice versa.

SENATOR TAFT: That is all. Thank you very much.

CHAIRMAN MORIN: I take it that last question, I think I understood you correctly, that you have received no evidence of gambling and police corruption, which are tied in with each other, here, at least in this area?

MR. MATSON: That is right.

CHAIRMAN MORIN: Dr. Allen from Philadelphia may have some different opinions.

DR. ALLEN: Sir, do I understand you to say that there have been no proven incidents whereupon there was an inter-relationship between gambling and police corruption?

MR. MATTSON: Yes. We cannot say that it does not exist. We do not know of any said situation or relationship.

DR. ALLEN: Have there been any attempts at search and seizure, whereupon the police department was privy to the knowledge of the planned activity, and then, upon your agent's arrival, there was nothing to search or seize? You do not feel there was some collusion between the operation and the police department?

MR. MATTSON: If I understand your question correctly, my answer would be that we know of no instances, no cases where the police have in any way frustrated the endeavor or the investigation of the case, or a search that would be involved.

DR. ALLEN: Have there been any evidences of, since we have heard testimony here today, that gambling monies support narcotics programs, and narcotics, illegal narcotics activities, we will say?

Has there been any evidence of the connection type situation in this area which would, of course, by nature of the terminology, itself, involve the police?

MR. MATTSON: We know of instances where bookmakers have been involved in narcotics.

It can also be said that organized crime is involved in bookmaking and narcotics. We do not know of any instances where bookmaking supports narcotics efforts or endeavors.

DR. ALLEN: One final question relative to prostitution and gambling: Where prostitutes have been known or alleged to have paid monies to police for protection, you do not consider this a collusionary relationship between gambling and the police department?

MR. MATTSON: Your question is just a little bit difficult to answer, because organized crime is involved with prostitution, or an element of that.

And on the other hand, in some areas the police are on the take in protection of prostitution.

But we don't know of any instance, here, where there is a direct or third-party relationship between the policemen and organized crime.

DR. ALLEN: All right, then may I go one step further? Has there been any instance

where you have had elected law enforcement officials, such as District Attorney, who, prior to his election, was the attorney of record for various organized crime individuals; and who has, as a result of his service in elective office, has seen fit, in the terminology, to blow cases against organized crime figures.

MR. MATTSON: We don't know of any such instances.

DR. ALLEN: Thank you. I think I had better move to Miami. Thank you, Mr. Chairman.

CHAIRMAN MORIN: Mr. Coleman?

MR. MATTSON: I should explain that prostitution really is a basic responsibility of local law enforcement.

We become involved in that type of crime when there is the interstate transportation of females for the purpose of prostitution.

There is a little difference between the police responsibility and that of the federal government in connection to that and related crimes.

DR. ALLEN: May I ask you a question. Is there any movement ~~against~~ the male relative to prostitution, if he crosses the state line for the

same purpose that the lady crosses the state line,
or is there this age-old discriminatory--

MR. MATTSON: The statute does have
such a provision.

DR. ALLEN: Then that would come
under your purview?

MR. MATTSON: Oh, yes.

DR. ALLEN: Thank you.

CHAIRMAN MORIN: Mr. Coleman?

MR. COLEMAN: Mr. Mattson, I note
in some instances the Jersey attorneys export book-
makers down here in Florida.

I hope, because of the unfair cli-
mate, but those people that you mentioned who
come from New Jersey, are they still maintaining
ties as far as some illicit operation in New Jer-
sey, or are they located here principally?

MR. MATTSON: Yes, there is a tie.
There is a relationship between the two localities.

MR. COLEMAN: On the previous Page
10 of your statement, you refer to the use of a
daily line coming from Nevada.

Is that considered by your depart-
ment as something illegal, the fact that the daily

line is available from Las Vegas every morning?

MR. MATTSON: It is an element of the gambling statutes. It is the interstate transportation, or the interstate involvement of this necessary part of gambling activity.

MR. COLEMAN: What about the newspapers in this area? Do they not have a Friday, prior to the Saturday, and Saturday, prior to Sunday, do they not publish the odds and the spreads of a football game?

MR. MATTSON: Apparently it isn't professionally done. It is a specialized activity, highly professional activity.

And this line, this information is turned to, exclusively to bookmakers, and for their own assistance.

CHAIRMAN MORIN: Is interstate transportation of gambling a crime?

MR. MATTSON: Yes.

CHAIRMAN MORIN: Therefore it is being done every day, or it is not being enforced, or there would not be trans-submitting of gambling interstate.

MR. COLEMAN: Thank you. You see it

in the newspaper, the Las Vegas line today is such.

I do not think the News has got bookmakers on the payroll to give that information. Where do they get their information, street talk?

MR. GROGAN: This line that comes out of Las Vegas and the other places that is furnished to the bookmakers, it is maybe the same line as in the newspaper.

The bookmaker gets it earlier. He gets it by telephone, and these people are acting in a conspiracy, so to speak, with the bookmaker, furnishing him the information that he utilized in carrying out his illegal activities.

We have prosecuted individuals, a couple of individuals in this area, and they have been convicted on interstate transmission of wagering information, furnishing a line to bookmakers.

MR. COLEMAN: As early as Monday the following Sunday, this line, so to speak, for professional football games, is in the newspapers.

MR. GROGAN: That is right, but it is a little late for the bookmaker. He wants it as early as possible.

MR. COLEMAN: All right, let me ask

you one question, Mr. Mattson:

In the three areas you mentioned the numbers, sports bookmaking and horse racing; bookmaking, which, in your opinion here, is, by the thousands, the largest. The largest what?

MR. MATTSON: Of the group, the sports bookmaking is the greatest activity.

MR. COLEMAN: Would numbers be next, horse racing?

MR. MATTSON: That's right, the numbers, bolita.

MR. COLEMAN: Thank you very much. Thank you, Mr. Chairman.

CHAIRMAN MORIN: Mr. Phillips?

MR. PHILLIPS: No questions.

CHAIRMAN MORIN: I think maybe it is a source of some frustration to this Commission, not being professional law enforcement people. Some of us are, the rest of us are not. I realize what the official position of the Department of Justice is; that is, as we understand it from the Department, itself, about one percent of the illegal gambling activities are being reached by federal law enforcement agencies.

The law cannot be enforced. It cannot be prevented if we do not do anything about it, leave it the way it is.

I do not say that is the position of the Miami Office of the F.B.I. That is apparently the official Justice Department position. You cannot legalize it, compete with organized crime, because it won't work.

Legal entities cannot compete with organized crime, because the organized criminal is more efficient.

These arguments are very difficult to take at face value, because they are so unproven, and no one has really tried.

Therefore, occasionally some questioning is received by members of the Bureau and others in the federal law enforcement area, I think, that might reflect the sense of frustration that we feel.

Perhaps this is not anything that can be recommended, but it is difficult, I think, to accept the fact that it has got to go on the way it has been going on, and nothing can be done about it.

MR. MATSON: It is true, Mr. Chairman.

And in addition, I have heard judges express opinions that the F.B.I. could better spend its time, than trying to enforce the gambling, federal gambling violations.

I am not saying that I agree, but at that level is that expression also.

CHAIRMAN MORIN: Incidentally, I might say that I am certain we are all aware of the frustration which the law enforcement people must feel when they spend weeks and months preparing a case, and try it, and get a conviction, and have a defendant get off with a suspended sentence.

Mr. Ritchie would like to ask some questions.

MR. RITCHIE: Could you explain why Miami is an open city? Why is not the syndicate, why do they not come in here and get whichever family happens to be in power?

MR. MATSON: I should have explained earlier that my tenure here in Miami is relatively brief, and perhaps either of these two gentlemen sitting with me (indicating) would be better able to respond, so if you please (indicating).

JACK MATSON

1000 S.W. 1st Avenue

Miami, Florida

MR. FUGENE J. McKINNEY: I think historically it just evolved that way. I don't think we can sit down and explain why it happened.

It's just a situation that has developed, that no one family has ever come down and taken hold, and it stayed that way.

MR. RITCHIE: Mr. Mattson and I had the pleasure of working together when he was the Agent In Charge of the office in Portland.

The characterization that I would make, as Chief of the Strike Force in San Francisco, which was a retirement city, is that the only persons who were ever killed out there were killed because they violated the internal organization of the syndicate, not for any other reason.

How would you characterize the syndicate operation in Miami?

Is it loose-knit, is there a control, do they meet, do they run legitimate businesses, do they get percentages of the profits from the illegal businesses, such as gambling?

I am not asking you for a history of it.

MR. McKINNEY: There is a control,

but there is no one controlling from one specific family.

If you come down here and you want to start a bookmaking and a shylocking business, you can check with your superior from where you came, and set it down here.

But there is no one specific family that says, "We will control it." They have their controls, and they have some sort of a radiator who will sit down.

MR. RITCHIE: Does organized crime-- I am not talking about Hell's Angels, Black Panthers, I am not talking about organized groups-- I am talking, now, about the Cosa Nostra, identified syndicate members of the family--- Do they control gambling in the Miami area.

MR. McKINNEY: They control some of the gambling.

MR. RITCHIE: What percentage do they control?

MR. GOGAN: It would be hard to give you a percentage, you know, exact percentage. You have certain gambling operations that are financially backed by the syndicate. They put money into

this.

In other words, if the bookmaker loses heavy, they come in and back him up. They will pay in some instances his legal fees, if he is being prosecuted.

MR. RITCHIE: Why do they do this?

MR. GROGAN: Because they are financially into it. It is like investing in a company.

This bookmaker is going to make money for them. They may take 50 percent of his operation.

MR. RITCHIE: Is it 50 percent they take, is what I am asking. Do they take 50 percent of the profits?

MR. GROGAN: In some instances they may take more. They may take as much as 75 percent, but they completely set him in business.

In some instances we have some of them who get themselves set up in a bookmaking operation, and the syndicate will come along and say, "We're having some problems. Maybe we can work with you and afford you some money," then you might have a 50-50 situation.

You might have a bookmaker who is so good, where Mr. Mattson mentioned, here, had such

expertise in his field that no matter where he went they came with him, and they told him, "We are in with you, and we have got half your operation, whatever you make," because they know his is a money-making operation.

MR. RITCHIE: The frustration that our Chairman was directing himself to is that nobody on the Commission wants to say, "We want to continue getting all this revenue to organized crime."

What can you suggest, as a law enforcement official? What could the Commission recommend to do?

You need ten times the manpower to apply to this. Do you need additional laws? What is it that would be required to stop the revenue going to organized crime, because nobody is going to say we want that to be continued.

MR. GROGAN: I would like to see the bookmakers get stiffer sentences, go to jail.

MR. RITCHIE: Do you think mandatory, minimum punishments?

MR. GROGAN: I can't give a legislative opinion like that.

MR. RITCHIE: I am asking you from the standpoint of a law enforcement official.

MR. GROGAN: If they went to jail I think it would deter them.

MR. RITCHIE: Do you think you can put all the bookmakers in jail; that all the people who want to bet are going to quit betting?

MR. GROGAN: No.

MR. RITCHIE: That means there are going to be other bookmakers?

MR. GROGAN: Sure.

MR. RITCHIE: What do you do except put more bookmakers in jail, put more bettors in prison, hire more Commissioners; and 25 years from now we will have another Commission trying to answer the question.

Should we prosecute them for betting with bookmakers?

MR. GORDON: We don't. No, I don't think we should prosecute them for betting.

I think we should prosecute the bookmaker and be selective, and when they do get convicted, get a good sentence.

MR. RITCHIE: Who sets the odds on

sports bookmaking in the city? Is it syndicate?

MR. GROGAN: No. The odds are set out in Las Vegas, and not necessarily by the syndicate at all.

I think you have the Las Vegas line, a group of individuals out there. I think Bobby Martin is an official line setter out there. You have "the Greek" who makes a line.

MR. RITCHIE: Nobody listens to "the Greek" anymore.

MR. GROGAN: No, but these are people who make the line out there, and it is not necessarily the syndicate, that I know of, out there.

MR. RITCHIE: What are the odds that you have here, not talking about the line. Is it six to five, eleven to ten? I mean, what does the player have to bet in order to win a set amount?

MR. GROGAN: Well, it's according to whether they are betting baseball or football.

MR. RITCHIE: Let us say football.

MR. GROGAN: You can bet whatever you want, \$100.

MR. RITCHIE: Does it cost you a

hundred to bet a hundred?

MR. GROGAN: Yes, it does.

MR. RITCHIE: In Boston the syndicate set it at 20 percent and have enforced it.

I mean, is 10 percent consistently in all the bookmaking operations?

MR. GROGAN: Approximately; yes.

MR. RITCHIE: The frustration, I am sure you all understand, we are being absolutely sympathetic to you, how you might more effectively eliminate this social problem of law enforcement and of society.

Assuming that you had 90 wiretaps, how many defendants were involved in that?

What I am asking you, frankly, is how many times have you had a wiretap, one individual several times?

Have you never had to retap an individual once you were able to investigate him?

MR. GROGAN: I think we have only had, we have had very, very few wiretaps here with one individual involved, that is.

MR. RITCHIE: Same individual. In other words, the bookmaker that you tapped in 1969,

did you have to tap him in 1971; again in 1973; and probably, if you could tell us, are you doing it again in 1975?

MR. GROGAN: We have a couple of individuals with whom we have done that; yes.

MR. RITCHIE: What is it going to take to get those people off the street? Are the courts completely unsympathetic to the fact that these people are flaunting federal laws?

MR. GROGAN: No, I don't think the courts have been unsympathetic. A lot of our cases that we have had here that I mentioned, that Mr. Mattson mentioned, that have received fines and probation, are cases that have been in limbo, and that have been involved with the signature question, and they have been on numerous appeals.

By the time these cases get retried back here for a new trial, the case, in some instances, has been five years old.

I don't think taking a case to court five years old can be a problem.

MR. RITCHIE: Could you ascribe any particular impact that, without casting blame as to who made the ultimate decision as to who signed

a wiretap and who did not, could you tell us what the impact of that particular fragment of the legal world has cost law enforcement in their effectiveness? Has it set you back five years?

MR. GROGAN: I can't give you an exact figure. It has set us back, because the many cases, and we had many, and I think possibly half the defendants that we have mentioned in here were involved in those signature cases, so this has possibly set us back halfway.

MR. RITCHIE: We asked an earlier question about, because the federal law in New York City, when they book Florida races, they have to make their own pari-mutuel pool.

That, oftentimes, results in New York City odds being a lot more in favor of the layer than the track owner.

Have you had any instances where you have seen bookmakers laying off wagers from Florida to New York City, off-track betting offices?

MR. GROGAN: No, sir. We don't have any particular ones at hand.

MR. RITCHIE: Thank you, Mr. Chairman.

SENATOR TAFT: I want to ask one or

two questions on the wiretap issue:

I think you testified there are 30 wiretaps under the 1968 act.

What is your feeling as to the importance of that act? Would it make much difference if it were eliminated?

MR. MATTSON: I have known of some cases that have been made without it, but it would virtually destroy law enforcement ability to investigate this type of case were it to be eliminated.

SENATOR TAFT: How many other wiretaps, than the ones under Title III, have you had during that period? Do you have any estimate of that?

MR. MATTSON: You are asking if we have had wiretaps other than Title III?

SENATOR TAFT: Yes.

MR. MATTSON: We have had none.

SENATOR TAFT: How about potential eavesdropping?

MR. MATTSON: Define that.

SENATOR TAFT: Where your agents carried a device only. Do you use that type of device?

MR. MATTSON: Yes, but it's not, it doesn't have an application, as far as we are concerned, to gambling.

SENATOR TAFT: You do not use that in gambling cases?

MR. MATTSON: We haven't been.

SENATOR TAFT: What kind of cases would you use that for?

MR. MATTSON: Well, I think that the crime of extortion would be the one, and ramifications from that is one of the best uses it can be made.

SENATOR TAFT: Well, that might relate to a gambling case if you had extortion as a result of gambling?

MR. MATTSON: Yes. Well, that's true, but it would be a secondary violation.

SENATOR TAFT: Thank you very much.

MR. RICHIE: Mr. Chairman, I would like the record to reflect as an educator, I have had the privilege of working with Mr. Mattson in his office in Portland, Oregon, when he was the Agent in Charge there.

I know that under his leadership the

Miami office will be just as effective as the Portland office. And I am confident that the book-makers will be made aware of the Bureau's presence. I know he cooperated, and the Bureau cooperated throughout the country. And on behalf of the staff we'd like to thank Mr. Mattson and the gentlemen who accompanied him.

MR. MATTSON: Thank you.

CHAIRMAN MORIN: We understand it has been an imposition on you to make you come over here. We do appreciate it.

MR. MATTSON: It is not an imposition. We are glad for the opportunity, and certainly appreciate the difficult task that you all have.

CHAIRMAN MORIN: Thank you very much. We will take a short recess.

(Thereupon a short recess was taken, after which the following proceedings were had.)

CHAIRMAN MORIN: The next witness before the Commission is Mr. Hank Messick, an author who is the publisher of 12 books dealing with crime and the effects and side-effects of it.

I am sorry we are running a little

late. We will now give you the floor, sir.

MR. HANK MESSICK: Let me begin by acknowledging receipt of a mass of unsolicited material on the subject of gambling from this committee.

I am, frankly, rather puzzled. It would seem that in holding hearings, the purpose of this committee, Commission, would be to gain new insight based on the personal experiences and opinions of its witnesses.

By priming the witness in advance, are you not simply providing him with material with which he can dignify his prejudices or conceal his self interest?

If the witness is simply going to spout back the data you have given him, why bother to hold hearings?

Be that as it may, this witness needs no assistance. What I say here is based upon my own research over two decades. Part of that time I worked as a newspaper reporter, and I was able to learn the machinery of corruption at all levels.

Later, by virtue of two \$25,000 Ford Foundation grants, I was able to spend two years

studying organized crime in the United States.

I roamed the nation from New York to Los Angeles, from Detroit to San Juan, and I gained access to investigative files on every level of enforcement.

Finally, as the author of 16 books, most of them concerned directly with organized crime and organized gambling--I found it impossible to separate the two--I've continued my studies.

One of these books, THE ONLY GAME IN TOWN is scheduled for publication next year. And it is, as the title indicates, a history of gambling in America.

I began that book with the story of Samson. One day while enroute to wed a woman of the Philistines, he set and killed a young lion.

Later he discovered that bees had settled in the carcass and made much honey. At his wedding feast he told his thirty guests he wanted to make a little wager. He bet them thirty changes of garments that they couldn't solve this riddle:

"Out of the eater came forth meat,
and out of the strong came forth sweetness."

The guests were puzzled, and as the

deadline approached they put pressure on the young wife to "entice thy husband," and learn the answer. If she didn't cooperate, they said, they'd burn down her father's house.

Well, the wife responded and got the answer out of Samson. "What is sweeter than honey? What is stronger than a lion?"

So Samson had to pay off the bet, and like a lot of men since, he had bet without possessing the means of paying off.

So he went out on the street, so to speak, murdered thirty men and robbed them of their clothes. The bet was paid. The Lord's work went on. The friends of the murdered man ultimately murdered Samson's wife.

I suppose their proponents of legal gambling could cite this episode as proof that the urge to gamble is as old as sin and thus an impulse that sophisticated legislators should accept as natural and inevitable.

Well, murder has been around even longer--since Cain and Abel--but I see no one defending it as natural and inevitable, unless, of course, it is necessary to pay one's gambling debts.

In the course of my travels I've heard just about all the arguments for and against legal gambling. While there is some variation from city to city, the pro-gambling propaganda is boringly similar. It breaks down roughly into three divisions which I want to examine separately:

The first of these is that gambling will increase tourism, especially in cities such as Miami Beach, Atlantic City, Newport, Rhode Island and the like. This is nonsense, pure and simple.

If someday an oasis is discovered in the middle of the Sahara, whose waters cure cancer, the first thing to be built will be an airstrip; the second thing a hotel; and the third thing a casino. Within weeks, as word gets around, the world will be told that gambling is attractive, all these people to the sandy wastes of the desert.

For years Hot Springs, Arkansas served as sort of an oasis for people with rheumatism and other aches and pains. They went there to bathe in the natural hot springs. Bath houses lined one side of Central Avenue and, on the other were auction houses and gambling joints. Whenever there was even talk of enforcing the anti-gambling laws,

the pro-grabblers protested that gambling was the attraction, the lure, the magnet, and that without it the town would die.

I was curious about this debate some years ago, and found a way to check it. The National Park Service, which operates the hot springs, keeps accurate records of visitors dating back many years. There had been several intervals of civic virtue when the gambling joints were closed.

I checked the Park Service's figures for those years and discovered that more people came to Hot Springs in the months that casinos were shuttered, than came at comparable periods when they were operating.

If you question my findings, go check for yourselves.

This isn't to say that when an elderly man finished boiling himself, he didn't cross the street and do a little social gambling. Indeed, the Southern Club put its casino on the second floor.

Ascending to it was a broad escalator, making access easy and comfortable. Upstairs also was a restaurant and bar.

Upon departing, however, one had to hobble down a flight of stairs. I tell you, the gamblers know all the tricks of attracting and holding suckers.

But this, you say, wasn't legal gambling. Technically you are right. But in every other way it was as wide open as it could be. There were no guards, no lookouts, no passwords. Everyone in town and in the state knew about it.

The thing you must remember about gamblers, the high rollers so in demand by the junketeers of Las Vegas, is that they do come to gamble--and that's all.

Oh, they may tip a cab driver if they win, and they may order up a call girl and by champagne, but they don't do downtown and shop.

The tourist, on the other hand, comes to an area to have fun, to enjoy a family vacation. He wants the sun, the beach, the fishing. If there's a casino handy he may go in to see the floor show and, if feeling reckless, will drop \$10 at the blackjack table, but that's all.

A few years ago, after corrupting the entire Bahamian government the mob opened a

casino off the coast of Florida on Grand Bahama Island.

The hotel was put in charge of Allan Manus, a Canadian. Soon friction developed, because Manus was bringing in tourists by the plane load to fill up his hotel, and the tourists weren't doing much gambling.

When mob complained, Manus cut off the air conditioning in the casino. Eventually the boys got rid of Manus and started to use the hotel as it was intended to be used--a place for free-loading high rollers to sleep between crap games.

Certainly Grand Bahama Island boomed after gambling came there, but to credit the growth to gambling is to recall the oasis in the Sahara.

The island has beautiful water, wide beaches, good fishing. All it needed was a good hotel and some advertising. The casino was incidental.

If you doubt, consider the history of Miami Beach. When in 1933-34, the wide open illegal casinos in the Miami area closed, the propaganda began immediately: Without casinos, the

area will die.

The first drive to legalize gambling was begun by the syndicate gangsters, people like Meyer Lansky, who had operated the old casinos.

The drive failed, and what happened. In the next decade, Miami and Miami Beach grew as never before. Without casino gambling, mind you.

Faced with a crisis, the area responded affirmatively. Today, when confronted by another crisis, the same men who stole the beaches, turned Collins Avenue into a concrete canyon, dumped raw sewage into the Atlantic, and otherwise exploited the area, now want to turn the clock back and make this polluted paradise a playground for so-called sportsmen.

Disney World in Central Florida has brought more tourists to the area than would a hundred casinos, and the tourists who come bring their children, visit other attractions and spend money.

If there was a casino in nearby Orlando, for example, the parents might drop in to watch the action for an hour or so, but it would be no more of an attraction than the so-called "Singing Tower" at Lake Wales.

Please keep in mind that when economic conditions turn bad, as they have recently, people cut back on unessentials. That includes vacation trips to exotic places, and it certainly includes sojourns in gambling joints.

I'm speaking of the average citizen, the responsible family man, not people hooked on gambling, and not the high-rollers who can afford to lose.

Recently things became so bad in the Caribbean--where gambling is allegedly such an attraction--that San Juan casinos announced they were installing slot machines--one-armed bandits, if you please. The theory being, apparently, that slots will bring in tourists where dice and the revolving wheel have failed.

If you want to measure what gambling can really do for a town, consider Newport, Kentucky.

On the Ohio, across from Cincinnati, Newport served as the cesspool, the playground, the vice center of the metropolitan area. By unspoken agreement it had no stores to speak of, no hotel, no parks, but gambling and prostitution it did have there.

There were six major casinos, some of them as plush as anything in Las Vegas, and scores of so-called bust-out joints. You didn't get out of them until you were busted, one way or the other.

It was illegal, of course, but as wide open as Hot Springs. Even Governor Happy Chandler defended the right of the people of Newport to "have it dirty" if they desired.

And the population of that town in 1960 was less than it had been in 1910. Gambling was responsible, gambling along with the corruption it brought inevitably in its train.

I wish some citizens who advocate legal gambling could spend a few weeks in a gambling town. I can assure them that while they might like to visit, they wouldn't want to live there.

Following the big cleanup of Newport in late 1961, the town came alive. Slums were replaced with urban renewal programs; new public buildings were constructed; the dark streets were lighted and paved.

The town began to grow and has continued to grow. Sure, some gambling still exists.

You can get a bet down, I guess, but only the crooks talk wistfully of the good old bad days.

The moral, I think, is obvious.

Gambling destroys, it doesn't build.

A second reason cited for legal gambling is the alleged revenue it will bring city and state. This is a persuasive argument at a time when people are tired of high taxes and poor service.

Offhand it makes sense--since people are going to gamble anyway, why not let the state take its cut.

Well, there are several reasons, only one of which is the difficulty of the state in getting its fair share.

We were speaking of Newport, Kentucky a recent age. When special agents of the Internal Revenue Service raided some of the gambling joints of that town in 1961 they discovered that the gamblers were reporting, on the average, and paying taxes on only one-seventh of their total take.

A leading citizen of Miami Beach is a genial gentleman known as Meyer Lansky. He is currently under indictment for conspiring with

others to skim \$36-million in untaxed funds from one Las Vegas casino alone. His alleged co-conspirators have pleaded guilty or no contest and been punished, but a federal judge in Las Vegas has refused to bring Lansky to trial on the ground, "The little guy's health is too bad."

You might consider this question of immunity from prosecution--Lansky has spent only three months in jail in his life--when you talk of regulating and controlling legal gambling. And you should certainly consider the \$36-million skimmed from a casino in a state where gambling is and has been legal for years.

A more recent example comes from New York City which, at the time I repeated these remarks, was on the verge of bankruptcy despite the added revenue of off-track betting and the state lottery.

I note that back in the summer the Chairman of this Commission was quoted as suggesting that perhaps the government could give credit to gamblers even as does the Mob.

That would be all New York needs--everyone on welfare could borrow money in the hope of hitting the numbers, and the city would go down

financial drain even faster.

But consider the New York State Lottery which, when sold to the public, was going to bring in \$300-million a year for education.

Big deal. It has averaged one-tenth that amount, \$40-million a year. And not long ago the New York Daily News came out with a headline: "How Lottery Gyps The Public."

It seems the lottery officials were announcing winning tickets that had never been sold. Other tickets had been issued in duplicate and even triplicate.

The stink was so bad that Governor Hugh Carey shut down the lottery entirely until what he called a "fair-sale system" can be devised. If he sticks to that condition, the lottery will never reopen, for there is no such thing as a fair-sale system where gambling is concerned--except for the professionals, of course.

One needs only to study the history of the infamous Louisiana Lottery, popularly known as "The Serpent" to understand the truth of that statement.

Where gambling is concerned, one

has to agree with Herman Hesse who remarked: "Next to the hunger to experience a thing, men have perhaps no stronger hunger than to forget." The lessons of history and of human nature are easily studied, but each generation learns the hard way.

In thinking of the revenue to be obtained from gambling, let us not forget the necessities required to keep the operation looking halfway respectable.

As a young reporter working in such cities as Louisville, I can remember the routine warning issued every year by the police chief when the racing season began. He reminded everyone to expect a horde of pickpockets, con-men and women, burglars and dope addicts.

In an effort to reassure, he promised that extra men would be assigned, and no expense spared to protect honest citizens.

This is so obvious as to need no exposition, but some people have to be hit over the head before they believe. Gambling in any form represents quick money, the fast buck, and that kind of currency attracts crooks like sugar attracts flies.

They come not to gamble, but to prey on the suckers, and they branch out to honest citizens on occasion. The jewel thieves love casinos, for there they spot their victims. The lucky sucker who happens to win big money usually has to be sent home under guard, but when home is a hotel, he finds little security there. And so it goes. Adult delinquency breeds juvenile delinquency, and the whole thing costs the taxpayer plenty.

I recall standing on a street in Las Vegas about 2:00 a.m. one day several years ago. The neon signs were blinding out messages about "liberal slots," and "49-cent breakfasts."

The wind was blowing in from the desert, and the whole place looked like hell. Down the street came a newspaper. I picked it up and read a front-page story about how high school kids were carrying switchblade knives and ice-picks.

Inside the paper was an editorial based on the story. The headline over the editorial asked: "Is Something Wrong With Our Community?"

I also remember a former Nevada official who won the respect of law enforcement

officials around the country by trying to keep gangsters out of the casino.

When he refused a bribe, he was ousted. He opened a little liquor store off the main street, and managed to get a few slot machines. In his first three years of operation, he was robbed four times.

When I remember that in the old days the Newport Police Department was hailed by the Cincinnati press as being "one of the best in the country," I have to be a bit cynical when I'm told that Las Vegas has little crime.

When gamblers control the town as they did in Newport, and as they do in Las Vegas, police department figures aren't necessarily reliable.

All of which brings me to the third point made by the prohibitionists of legal gambling: that by competing with the Mob, crime will be decreased. You can even hear that the powers that be in Las Vegas oppose gambling extension, because it would hurt their business.

This, to put it bluntly, is utter nonsense. Gambling is no sin of fixed dimensions.

that can be sliced only so many times. Gambling is a blob, a virus that feeds on itself and grows and grows and grows. The more gambling, the more gamblers.

Certainly a few people in Las Vegas might be hurt if casinos opened on Miami Beach-- Hank Greenspun might lose some influence, some politicians might not get as much graft--but the real losses wouldn't suffer. Casinos in Florida would create a new school of suckers and ultimately some of them would swim out to Las Vegas.

Sometime back I was on a radio talk show in Philadelphia. We were talking about the evils of gambling. Came time for a commercial, and I sat dumbfounded as an announcer advertised lottery tickets as he might have sold some.

Legalize gambling, and soon every media of communications will be creating new customers. Requiring disclaimers that gambling may be injurious to one's pocketbook won't do much good.

As the gambling business grows, however, the underworld will grow with it. People will still get with illegal bookies for a variety of reasons relating to it with odds, credit and tax

evasion.

The men who run the gambling operations will find ways of cheating the tax collectors and improving the odds in the favor of the house.

With a legal base from which to operate, the crime syndicate will take over the country. Certainly a state that can't even keep the Mob out of charity bingo games, can hardly operate multi-million dollar casinos on an honest basis.

Five years ago there was a drive to legalize gambling on Miami Beach. A referendum was held, and there was great argument, pro and con.

One argument seriously presented was that corruption-wise, things were already so bad that legal gambling couldn't make it much worse.

That there was some validity to that argument, events since have shown. Consider that in Florida in the recent past, these things have happened:

One, a U. S. Senator was indicted and still faces trial.

Two, several members of the State Supreme Court were forced from the bench to avoid impeachment.

Three, at least three Cabinet officers have been forced to resign, and a couple have been convicted of crimes.

Four, any number of legislators have been indicted. One in my home county of Broward just pleaded guilty.

Five, here in Dade, three County Commissioners have been just convicted.

Et cetera, and I assure you this is but the tip of the iceberg. Corruption is and has been a way of life in this area and the reason, in part at least, has to be the existence of legal and legal gambling. You can bet on dogs and horses legally in Dade, and on jai-alai as well.

Illegally, the numbers racket takes in millions from the ghettos, and you can bet on sports events with your friendly neighborhood bookie.

Corruption on a grand scale has been necessary to permit such wholesale gambling, and the body politic has been infected. Legalize it, and you but increase the opportunities for corruption for some kind of controls, some kind of regulation will be necessary, and that means bribes.

Let me quote to you from the Third

Interim Report of the Kefauver Committee in 1951. Noting the suggestion that gambling be legalized, the committee said:

"This suggestion appears to be premised on the dual assumption that once gambling is legalized the crooks and the cheats will retire from the field and leave the operations of the handbooks, policy wheels and gaming rooms to honest and up-standing businessmen, and that public officials who have previously been persuaded to ignore or affirmatively aid illegal gambling operations will automatically prove incorruptible when entrusted with responsibility for controlling these same operations through a licensing system."

The committee in that same report also made this point, which I think goes to the heart of the matter:

"It is the nature of the business of gambling, and not its legality or illegality, that makes it so attractive and lucrative for gangsters and hoodlums."

Remember that, please. It is the nature of the business that is important, and the business is one where the odds always favor the house, and where these odds can be improved as desired. It is a business dealing largely in cash that can be concealed--lots and lots of cash.

In return, it offers only a hope and an occasional thrill or two, but it contributes nothing of value. The money it generates flows directly into the pockets of a very few, and most of it comes from the pockets of people who can least afford to lose it.

I would remind you that the President's Commission in 1967 suggests that crime is a sort of human behavior, and control of it means "changing the minds and the hearts of men."

The same is true of gambling. Perhaps we can't eradicate it--at least we can't until the pursuit of the fast buck ceases to be our primary preoccupation--but we don't have to encourage it by making it legal.

Whatever the personal motivation of the members of this committee, and of its staff, I can assure you that whether you know it or not,

1 you will be helping organized crime if you do any-
2 thing to make gambling legal.

3 You but represent the latest and
4 boldest effort in a campaign that has been going
5 on since the boys turned from rum-running to gamb-
6 ling.

7 I mentioned that five years ago a
8 drive was conducted on Miami Beach to approve legal
9 gambling. Much to many people's astonishment,
10 more than 60 percent of the voters rejected the idea.

11 This victory was largely due to two
12 factors: A brave and energetic Mayor, Jay Derner,
13 and a newspaper, The Miami Beach Sun, headed by
14 Hendrick J. Berns.

15 Aside from that, the pro-gamblers
16 had everything going for them, including a Governor,
17 one Claude Kirk, who went around telling everyone,
18 "Don't tar all casinos with the same brush."

19 After the gamblers lost, they began
20 making plans for the next round. And today they
21 are ready. The current Mayor is no Jay Derner, and
22 The Miami Beach Sun is no more. It was sold out
23 from under Berns and absorbed in time by the pro-
24 gambling newspaper on the Beach.

But, just to prove that things do equal out a little, the current Governor is no Claude Kirk. So the boys had to try a different route this time--a Constitutional amendment.

Similar things are happening all about the country, as organized crime seeks to achieve its ultimate triumph. The work of this Commission can be decisive. I hope you understand what is really at stake. Things are bad enough already, but they can be a helluva lot worse.

Bad as things are, the country is not yet in the position of Canada Bill Jones, a reiverboat gambler of note back in the last century.

Marooned in a small town one night, Bill went looking for action and found it in the back room of the barber shop. Warned by a local citizen, a do-gooder, no doubt, that the play was crooked, Bill replied: "I know, but it's the only game in town."

Today, despite the best efforts of organized crime and its allies, gambling still isn't the only game in town, but if you make it legal, it soon will be. Thank you.

CHAIRMAN MORIN: Senator Taft.

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SENATOR TAFT: Well, first of all, with regard to your last remarks, you are presuming that the Commission was set up to reach the notion with some direction to go.

As far as I know, it is completely contrary to what the intention of Congress was for setting up the committee, and the intention of the members of the Commission were at least, so far as I am concerned, in setting a position on--

MR. MESSICK: Sir, if I may say so, I, of course, don't know what your intentions are, which you personally, individually and collectively would not.

I can tell you what the Mob thinks: The Mob thinks you're Mr. Nixon's big payoff. This is the final thing he could do for it, and by legalizing gambling, he will have really paid off in a big way, and everybody will really be happy.

That may not be true. I hope to heaven it isn't. That's what they believe.

SENATOR TAFT: I do not think we have contempt powers, but I was appointed to the Commission after Mr. Nixon was out of office.

And to make that inference to the other members of the Commission certainly is in very bad taste and completely out of order.

But the only other thing I would say is, with regard to Newport, I am happy to have a little knowledge of Newport, the situation.

Of course the gambling there you were talking about was totally illegal and was totally kept out of town.

Unfortunately, I cannot necessarily agree with you that it is in exact economic boom at the present time.

MR. NESSICK: It is better than it was, isn't it?

SENATOR TAFT: I have nothing further.

CHAIRMAN MORIN: Dr. Allen?

DR. ALLEN: Mr. Messick, I'm afraid I do not have the kind of mob connections you have that would enable you to make the remark that you made.

However, I would like to ask you, in view of the remark, the dissertation that you presented us with, if confronted with the jurisdiction to act upon the Equal Rights Amendment, how

would you vote?

MR. MESSICK: If I was confronted?
I would vote for equal rights.

DR. ALLEN: You would vote for equal
rights?

MR. MESSICK: Yes, ma'am.

DR. ALLEN: Under the circumstances,
I have some doubt in my mind because of some of
the statements you made here.

In reference to your Philadelphia
incident, and I am from Philadelphia, on the radio
program, you seemed to be appalled by the advertise-
ment of lottery tickets on the media?

MR. MESSICK: Yes.

DR. ALLEN: Looked upon that as a
horrendous situation.

Is there any more to that than the
advertisement of certain drugs on radio and tele-
vision which have proven to be equally as deleter-
ious to individuals?

MR. MESSICK: No, I think it is, and
I think the point you are making, there is a lot
of things that are advertised that don't neces-
sarily help the consumer.

And I certainly think that drugs would not, certain kinds of drugs, would not help them, but I certainly think that gambling would not help them either. In other words, they would use gambling and promote and advertise gambling, just as they try to con us into buying everything else we don't need.

DR. ALLEN: In your studies, you studied for approximately 20 years, according to your statement, here, have you ever studied the positive effects of gambling on individuals from an economic base, or from the standpoint of creating a situation whereby a person, perhaps, was in an unfortunate situation prior to a gambling incident, then was accorded the privilege of going to greater things?

MR. MESSICK: I have found plenty of incidents in which individuals have profited greatly from gambling, have worked their way up from the ghetto and become very wealthy and multi-millionaires.

I can think of Meyer Lansky and plenty of others. Illegal gambling has been a sort of stepping stone, one way for the disenfranchised.

the underprivileged to get ahead in the world, but they do it at the expense of their fellows.

If you close down, if you will by some miracle, you could remove the ghetto right here in Miami, the Liberty City area right here in Miami, it would cost the Mob millions and millions of dollars, because there are thousands of people out there.

When I say that, I say this when I was a reporter I bought lottery tickets, numbers tickets and talked to them again and again; have been in their house and seen the whole operation and have written about it.

They live on hope. It's a possibility that maybe they will hit a number and have 25 or 50 or \$200 in their pockets.

That represents the only chance they have got in their lives almost of having the cash, having a little money, so they go out and do it day after day after day, and they do it even though the game is usually, almost invariably, rigged.

They have no chance to win, but this is the hope that remains eternal, because it's all they have got.

But if you could clean up the ghettos, you would end the numbers racket. There would be no numbers racket in this country if you could clean up the ghettos, because the ghetto is the breeding place, the home and the source of all numbers money.

DR. ALLEN: I am not from Miami, and I am not familiar with the area of Miami, but I must assume by your injection, and the reference to the ghetto, that Liberty City is, indeed, the area in which people are colored.

MR. MESSICK: That is correct. Rather ironic that it should be called "Liberty City."

DR. ALLEN: I think so, too. Under the circumstances, thank you.

CHAIRMAN MORIN: Staff?

MR. RITCHIE: Mr. Messick, you have had a great opportunity to look at the efforts of law enforcement to enforce the present laws.

Do you have any suggestions as a reporter and a writer how the Commission might improve law enforcement efforts?

MR. MESSICK: Well, the only way that

you're going to get law enforcement improved is to end the corruption, and to put the people in places of authority who know what the problem is, and have the power to do something about it.

In the brief period when Jack Kennedy was President of the United States, and his brother Robert was Attorney General, you had that kind of a situation.

Jack Kennedy gave his brother the power. With his brother as President, Robert Kennedy had the muscle. He also had some insight because of his previous experience with the McClellan Commission, and as a result there was the most devastating drive on gambling, on organized crime that has ever been conducted in this country.

And it lasted right up until the day that Jack Kennedy was killed, and in Jimmy Hoffa's words, "Robert Kennedy was just another lawyer."

And the drive on crime ended, and it has been going down the ladder since, and under Mr. Nixon the retreat began.

So I say, in answer to your question, that if you get honest, intelligent law enforcement people who will get out there and really try to

enforce the laws, you will find that a tremendous amount can be done, and this situation that exists today would not necessarily exist.

MR. RITCHIE: My point to you, sir, is: Are you saying that all law enforcement, federal, state, city, county is inept or corrupt because the laws are not being enforced today?

MR. NESSICK: I can say that there are pockets of good decency, good law enforcement in every organization, good men in every organization, but by and large, the policy, the drive, the initiative has been lost, and without that, you can't go ahead.

But I would say again, organized crime would not be the problem today if law enforcement had been doing its job over the years.

The fact that they haven't done their job speaks for itself.

MR. RITCHIE: Thank you, sir.

CHAIRMAN MORIN: Thank you very much. You have enriched the record.

The next witness is Mr. Barry Halpern, attorney in private practice in the City of Miami.

You may proceed.

MR. BARRY L. HALPERN: Members of the Commission, one of the first questions that one must ask is why I am before you, and what information can I give you towards your ultimate goal, and that is recommendations on the review of the national policy towards gambling.

My position is a unique one in the area of South Florida and the State of Florida. As you are aware, I am the President of a Florida corporation known as Florida Gaming, Inc.

Its sole purpose is to own and operate a casino in Dade County, Florida.

What makes my position unique in the area of casino gambling and the legalization of it in the state of Florida is that I am not involved in any form of politics, vote-buying, or referendum, but I have taken a position that to own and operate a casino in the state of Florida, and specifically in Dade County, is just another business and should be treated as such.

There were many reasons why I became involved in this area: First and foremost, the original reason was, as in any other business, to make a profit.

Secondly, I felt that something positive had to be done to get the South Florida area moving in a positive direction in getting funds to run the State.

The reason and purpose for instituting the litigation which we have in federal court was, first, to establish a basic right to own and operate a legal business, and we felt that under the existing laws of Florida a license could be issued and a casino could be run on a legal basis.

Secondly, the State of Florida could not arbitrarily discriminate against one form of gambling as opposed to another form of gambling.

Thirdly, the denial of equal protection of the law is a legal question, not a question for the legislature.

Other than the personal motivation of making a profit in opening up this casino, many questions have arisen, and the question now of legalized casino gambling in South Florida, or in the entire state for that matter, has become one of the most controversial subjects in years.

One must ask, why? There is only one answer, and that is that the state of Florida.

specifically South Florida, needs help and needs help desperately. South Florida is becoming economically murdered.

One must divide the state into three geographical locations: North Florida, Middle Florida and South Florida.

In my opinion the people of North Florida really have no concern with casino gambling. I would venture to say that in the past ten years there has been basically no economic change in their financial situation.

It is basically an agricultural area, an area that has not been affected by the major changes in the United States and the state of Florida.

I don't believe that these citizens in Middle Florida would really care for casino gambling. They are now involved with such projects as Disney World and Sea World, and certainly would like to keep the monopoly they have on tourism in the state of Florida within that area.

South Florida is one of the most depressed areas in the country, certainly the most depressed area in the state of Florida.

Tourism is almost at a standstill. The construction business is off almost 60 percent to 70 percent. Unemployment is well over the national averages and is rising.

We have two major airlines based in Miami. Neither are making money, and one is on strike. One other major airline that kept a great number of crews based here in Miami has now officially stated that half of the crews are now being sent to New York because of the lack of tourist coming into this country from South America.

Further, Pan American World Airways announced the closing of their base in Miami totally and the transfer of all their people to New York.

Miamians, or the people of South Florida, always considered this area to be a "big city." For a big city, we find that there is no professional sports and limited cultural activities.

Businesses are closing every day in this area. One only has to go to the once famous Lincoln Road Mall and see what was once one of the busiest shopping areas in the United States practically empty at noontime.

Very little, if anything, has been

1 done in a positive manner to help this state
2 financially. Ideally we wish increasing services
in this state such as better school facilities:
3 more school construction; better roads and highways;
4 more police protection for the people; and a decrease,
if not a stabilization, of taxes.

5 We do not hire teachers, we just
6 consolidate classes. We do not give teachers the
appropriate pay raises, therefore we are in a con-
stant battle.

7 The municipal workers are constantly
8 threatening to go on strike. Why? Because there
is no money to give them the raises they truly de-
serve.

9 By the statistics given out by the
Dade County Public Safety Department and many of
the other municipalities within Dade County, there
are not enough men on the police force as are needed
to adequately protect the citizens of this area.
Why? Because there is not enough money to pay them.

10 When one speaks to the fire depart-
ments of Dade County, the City of Miami, and all
of the other municipalities, even if they have the
equipment, they don't have the manpower. Why? There

is not enough funding available to pay these men the appropriate salaries.

I want to see the State of Florida take a position that will make funds available to do things which the citizens of this state desperately need.

One might ask, why casino gambling as against some other form of getting revenue such as the lottery which can be state-regulated and the profits given to the state?

First, as I am sure the Commission is aware, the Constitution of the State of Florida is unique in one aspect. It does not prohibit gambling per se.

The Constitution of the State of Florida prohibits lotteries. The federal litigation mentioned herein basically challenges the validity and constitutionality of Florida Statute Number 840, which is the statute which prohibits casino gambling, except pari-mutuels, which are now in existence.

Pari-mutuel regulation is a very restrictive method of regulation of gambling. When I say restrictive, I mean that "off-track betting"

or even a form of lottery, if allowed in the state of Florida, would generate money only to the state. It is restricted in that manner.

Casino gambling, on the other hand, is not. Casino gambling has a snowball effect. First the monies taken into the casino are divided up where the state gets its percentage, the house gets its percentage, and as the casino draws the many tourists into the area, the hotels fill up, the tourists that come here buy products and merchandise.

As the hotels fill up, the suppliers of these hotels start to go back to work. The food industry, the linen industry, the transportation industry and the entertainment industry now start to generate more and more work, and need more and more employees.

The airlines, instead of losing money, start to generate more and more people coming into the area, hiring people, and as one area grows so grows the supporting industries.

As people come into the area, as they become permanent residents and employees within the area, more housing is needed. The construction

business then starts to generate again, and we will have a production again of single-family dwellings, apartment houses, and the people who supply the products and materials would then start to generate more money and need more employees.

And the end result is the entire community generating income, having salaries and supporting a county that has always been traditionally one that looked to tourism for its main source of income.

Tourism has always been our main source of revenue, and why not, and why should this area not be the perfect area for casino gambling.

We, in South Florida, who believe that casino gambling would be something very worthwhile and productive, feel that Florida has what Las Vegas has, plus the sun, the beach and the ocean.

We can offer those persons that wish to gamble everything that they could not get in Las Vegas, Nevada, or any other part of the world. We have one of the greatest convention centers in the world, and it is not used to its capacity. It lies dormant.

While Miami and Miami Beach are

JACK BENTLEY, President
Miami Beach Convention Center
Miami Beach, Florida

losing more and more conventions, areas such as Las Vegas, Nevada continue to have more and more conventions, and the hotels in the area of Las Vegas keep building more and more additions to the existing hotels.

Miami Beach has been sitting still and doing nothing. The last hotel to be built in Miami Beach was approximately seven or eight years ago. That's a sad commentary for what has always been known as the Gold Coast, or the fun capital of the world.

It does not take a great deal of imagination to sit and fully view the type of effect that casino gambling would have in South Florida.

By no means am I trying to state to this Commission that casino gambling would make the state of Florida, and specifically South Florida, a Utopia. That would be a false impression.

It is my opinion from the research that we have done that there are necessary points that would have to be in existence to have a successful casino gambling operation:

1. The businesses would have to be very well organized.

2. There would have to be tight controls by management.

3. Professionals would have to run the casinos, not amateurs.

4. Experienced consultants would have to be brought in.

5. Proper regulations would have to be set down by the State of Florida through the Legislature.

6. Strong and vigorous enforcement of those regulations would have to be carried out by the State through the State's police power.

7. The facilities that have to be available for the tourists and the services that those tourists would demand, would have to be available.

One would have to be naive to think that gambling is not something that the American public enjoys. Whatever it may be, if it's the mystique, the excitement that makes one gamble: whether it be in jest; whether it be on a sporting event; whether it be on the personal prowess of an individual; whether in a card game; at a dice table; a roulette wheel, there is a certain amount of

excitement generate, and this has always been accepted and wanted by the American public.

In certain respects, it is my opinion that the State of Florida, either through the courts or through the Legislature, would be rendering a service to the people of the state of Florida, a service which they most desperately need, and that is providing the regulations: providing the protection of having business that would generate large revenues for the State of Florida so that it can expand the services that are so badly needed and put a cap on the rising tax structure within this state.

We have now seen what has happened to New York City. We cannot allow this to happen in South Florida. All those who are against casino gambling are asked one question: "Do you have a better solution? Do you have any solution? Do you have anything to say other than a negative point of view?"

The answer has always been and always will be "no."

We, in South Florida, want the tourists to come back to South Florida. We need it

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desperately. We want additional people to come to Florida. We want the people who enjoy gambling to come to Florida, and in addition bring with them those funds which we so desperately need.

I want to thank the Commission for the opportunity of coming before it and expressing my views, and at this time I will be glad to answer any questions concerning any of the statements that I have just made, or the litigation in which we are involved, or any of the research that we have done concerning the South Florida area as compared to the rest of this state, or on a national basis.

Thank you very much.

CHAIRMAN MORIN: Thank you for appearing. What recommendations would you make to us?

MR. HALPERN: First, I think one of the most important things that this Commission could do is take the stigma that people have probably been before this Commission, such as Mr. Messick, and said, "Away with casino gambling."

I think that a recommendation, not of the legislation, but in the wording, itself, by the recommendation of this Commission alone would

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do a lot in that area.

As far as South Florida is concerned, I think this is something that each state has to take into its own account. I think that sometimes the states have to look to our national government for some guidance.

That is what I think this Commission can, in its essence, do the most good.

In stating a national policy, and I believe that is what your mandate is, not investigating, but to review and make a national policy towards gambling.

My statement was very specific. It goes only to the area of casino gambling, because that is what I am involved in, the present battle in court of getting a license to open up a casino in Dade County.

But in answering your question, I believe that's the strongest thing that this Commission can do. I believe it is up to, in my opinion, the court in this state, and the states, themselves, to come to the realization that we have to do something, and do something as soon as possible.

Believe me, I have nothing against

the Governor of this state. I voted for him every time he ran. I have the highest admiration for him, but unfortunately we take very opposite stands on this specific subject.

CHAIRMAN MORIN: You might say that.

MR. HALPERN: The only thing I can say to him is, "Give us something that will help South Florida," and possibly I would agree with him, but not as far as any viewpoint toward casino gambling.

I believe it is a legal business that can be run in a very legal manner.

CHAIRMAN MORIN: Senator Taft?

SENATOR TAFT: Thank you. One question: I take it you do not see any problem with organized crime coming along and increasing its activities in connection with casino gambling.

MR. HALPERN: I believe the only way I can answer that is, when I first got into this and we filed the lawsuit, my friends, my neighbors jokingly came up to me, many times, and said, "Have you heard from Mr. Lansky?" That seems to be like a common joke.

Not only have I not heard from him,

MR. MORIN: I am sorry, I am sorry, I am sorry.

or heard from any people such as him, if he is to be labeled that way, which I believe is a bad commentary when we start labeling people in any way, but I can only answer that by saying I have had no experience with organized crime.

I don't know what organized crime is. Is organized crime the syndicate, the Mafia. Are they one and the same? I have no idea.

I know what I have read, and I know what I have been told through the media and through reading, and that is that any business that generates huge sums of money, trucking or anything else, it seems that organized crime quote-unquote is going to be there.

Now, I can only speak for myself, and I would be glad to live in that fishbowl that people in public life live in and say, "Look at it. Look at my background, look at the people that I associate with, and my family," and I defy you to tell me that I am involved with organized crime.

And I plan to open up a business that will be exactly that, a business, a legal business.

As far as I am concerned about that when we form the corporation, and I take no queries

about that now.

SENATOR TAFT: Would you go to a public issue with your company to raise funds?

MR. HALPERN: I thought about that, and the only thing that I can say is that I would probably do that, which would motivate me in a legal way, financially, to the best, you know, towards my end.

One thing that I have very strong points about, and that is that I don't plan to, and I refuse to go to outside sources for financing: that is, that I believe that the monies can be made available through this area to fund, if necessary, this type of business.

I have and can say that if I am fortunate enough to win my lawsuit, or in the alternative, if the legislature in this state ever does agree with my position on legalized gambling and give me my license, I do have the funds available to open such a business, and will do so.

SENATOR TAFT: Thank you.

CHAIRMAN MORIN: Dr. Allen.

DR. ALLEN: Are there written into the by-laws of your corporation any safeguards to

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prevent any, alleged underworld figures, or people who have had prior criminal connection from being part of your corporation.

MR. HALPERN: Well, I think there are basically two points to answer that:

Number one is it is a closed corporation, and one safeguard would be myself and my wife. We own 80 per cent of the stock.

MR. ALLEN: 80 per cent?

MR. HALPERN: We own 80 per cent of the stock of the corporation, and although you haven't had the pleasure of meeting her, believe me, that's one safeguard.

Second of all, I think that it's important upon the state to make sure that any of the stockholders of a corporation such as mine have no prior type of connections or convictions, or others, as would be indicated by your question.

The State does that now. According to the law in the State of Florida, at the race track, certain individuals are not allowed there, and this is the type of thing that I am asking the State to do.

I am asking the State to regulate me, regulate me to the degree that they feel is necessary.

1 And as I have stated in my statement,
2 one of the points is to have proper regulation:
3 and two, enforce those regulations.

4 And I think that is, you know, some
5 of the essential points that would be needed to
6 have casino gambling, to have it run fairly and to
7 generate enormous sums of money.

8 Ironically, I just came back from
9 Las Vegas last night. I've been there for the last
10 five days.

11 DR. ALLEN: How was the weather?

12 MR. HALPERN: The low thirties and
13 mid-fifties, and I can only say this, and I've
14 been going back and forth between Miami and Las
15 Vegas quite often now.

16 And that this week is considered
17 by most professionals in Las Vegas as being one of
18 the slowest weeks in that area because it's pre-
19 Thanksgiving.

20 Most of the people in this country
21 are getting ready for the big holiday rush in the
22 retail business, so business basically should be
23 off there.

24 But yet, in the five days I was there,

at every single show that I went to there was a line possibly a block to two blocks long. You could not get rooms in most of the hotels.

Six of the hotels have a \$40-million dollar expansion going on at this moment. Taxi-cabs are hard to get at night.

And if that's the slow part of the season, all I can say is they're really doing very well.

And ironically, just something that happened last night on the plane home, my wife and I were discussing the fact that I would be before this Commission.

And she said, "Are you going to be nervous?" And I said, "Well, I guess I will be until I get started. And as you know, I am a ham, so once I get started I'll be able to calm down."

As I said that, the stewardess hands my wife and myself a stack of what looked like play money, and we asked her, you know, "What is this?"

She said, "Oh, those are coupons for discounts throughout Florida on your visit."

And we looked through it and we started laughing, because nobody gave us any coupons

1 for any discounts in Las Vegas.

2 One of the funniest things that I
3 have seen in my life happened at one of the hotels,
4 and that is that a gentleman who had obviously
5 not had a very good string of luck, but who obvious-
6 ly could afford some of the money, in a very joking
7 manner went through one of the dice tables and
8 threw a pair of pants on the table and said, "Here,
9 you might as well take this, too."

10 In answering your question, to come
11 more directly, Middle Florida supposedly is bring-
12 ing the families into the state. 12 million people
13 went to Disney World.

14 I see no reason why, if properly run,
15 those families cannot come back to South Florida,
16 and the adult members of those families enjoy
17 gambling if they want to.

18 There is no reason why this state
19 cannot combine its fantastic natural assets with
20 the assets of casino gambling.

21 And there is no reason why 12 mil-
22 lion people go to one attraction, and why this
23 area is just falling apart when, as far as I have
24 known, tourism has been its number one source of

1 income.

2 DR. ALLEN: Thank you very much.

3 CHAIRMAN MORIN: Dr. Phillips?

4 DR. PHILLIPS: You base your entire,
5 or almost all of your argument on the depressed
6 conditions of South Florida.

7 How long has South Florida been de-
8 pressed, just out of curiosity, because every exam-
9 ple you give here is within the last year.

10 And may I also ask you, sir, where
11 the Miami Dolphins are located?

12 You have a statement here that says,
13 "For a big city we find there is no professional
14 sports and limited cultural activities."

15 I guess those of us who are from
16 Virginia and watch the Redskins all the time--

17 MR. HALPERN: First of all, I have
18 to excuse that error. Because when I was asked
19 last Tuesday, I was asked if I would come before the
20 Commission, I accepted.

21 And Wednesday morning I left for Las
22 Vegas, so I was up all night trying to put my
23 thoughts together.

24 And believe me, I have never forgotten

1 the Miami Dolphins. I am probably one of the few
2 that got season tickets the minute they formed their
3 team.

4 We went through the long, hard years,
5 and unfortunately every once in a while one of
6 the long hard weekends we have gone through, too.

7 DR. PHILLIPS: That makes it even.

8 MR. HALPERN: But to answer your
9 question, the two-fold question: Number one, the
10 statement was really made in reference to profes-
11 sional basketball, professional hockey, professional
12 tennis, things that have been tried in the Miami
13 area and have always failed.

14 In that manner, I was certainly not
15 taking reference to the Miami Dolphins.

16 In answering the first part of your
17 question, no, I would say that this situation has
18 not been over the past year. I would say that this
19 has been something that has been happening since
20 people have decided that the sun is just not enough;
21 the hotels are giving us nothing except high prices.

22 I have lived in this community since
23 I've been nine years old. I remember a time when
24 to drive down Collins Avenue was at least an hour's

1 drive.

2 I remember when I used to go as a
3 child, a teenager, to Lincoln Road and could not
4 see past a hundred yards, the people were so thick
5 both day and night.

6 I remember a time when I was at tv
7 senior prom, and when I was in college, when we used
8 to go to the nightclubs and we used to have a choice
9 of 10, 12 hotel nightclubs with big name entertain-
10 ment. And now we have a choice of three hotels
11 with major entertainment on a limited basis.

12 And this is what I am talking about,
13 sir. I am talking about not something that has
14 happened over the past year, but something that I, as
15 a citizen of this county, have seen happening more
16 and more each year, where it has gotten now to
17 the point where it is depressed.

18 And so I would have to disagree that
19 that is something that has happened over the last
20 year.

21 Yes, things such as a strike with
22 National Airlines have just now recently happened,
23 but I heard last night on the 11:00 o'clock news,
24 when I arrived back in Miami, that someone,

1 unfortunately didn't hear it at the beginning of the
2 newscast, were making predictions of a bumper tourist
3 season this winter.

4 I have heard that now for about five
5 years, and all I can say is if they have been coming
6 to Miami, they come and they don't spend.

7 CHAIRMAN MORIN: I do not know whe-
8 ther the Gambling Commission can help you in that
9 aspect. Does the staff have any questions?

10 (No response)

11 CHAIRMAN MORIN: Thank you very much.

12 The next and last witness today is
13 Mayor Paul School of North Bay Village. I think now
14 in your fourth term.

15 I understand you are also Chairman
16 of the Dade County Floridians for State Controlled
17 Casinos?

18 MAYOR PAUL SCHOOL: That is correct,
19 sir.

20 CHAIRMAN MORIN: Which states your
21 position succinctly.

22 MAYOR SCHOOL: Mr. Chairman, I thank
23 you truly for the privilege of being here to speak
24 before you and the entire Commission.

1 I feel somewhat like a cleanup
2 hitter who has sat on the bench for several seasons
3 now, but I am delighted that the opportunity has
4 finally been afforded me.

5 It was my good fortune to be here
6 this morning and listen to the lengthy statement
7 of Governor Askew.

8 And at this time I would like to
9 take some minor issue with some of the points that
10 were presented as facts to this Commission, and I
11 will quote from a most honorable gentleman, a United
12 States Senator from Nevada, with whom I know you
13 have a very intimate knowledge.

14 Last year, the State of Nevada in
15 gambling, casino gambling alone, did one billion
16 three hundred twenty million dollars worth of total
17 revenue. And the State of Nevada in that year
18 received in taxes from that industry \$82.5-million
19 dollars, which is approximately 47 per cent of their
20 total tax revenue.

21 It is conceded by most experts that
22 peripheral benefits to the State of Nevada from
23 the influx of tourists generated by casino gambling,
24 those peripheral benefits: restaurants, major hotels:

the entertainment palaces; the taxi industry; the airline industry; all of the retail establishment of whatever kind, presented at least half again as much tax money to the state.

Now I do not want to do even minor disservice to Senator Cannon or to his fair state, but when I think of international tourism, my mind has to hark back to the state of Florida, which by the virtue of God-given forces has the finest climate twelve months a year of anywhere in the world that I know of, and I have traveled the world quite extensively.

It has 650 running miles of shoreline, and a good portion of it with admirable beaches.

It has the Keys for the finest fishing in the world; the Everglades; Cypress Gardens; Silver Springs.

One can run up the state and see all the magnificent possibilities to ensnare tourists for this state, including the very magnificent Disney World.

It has all of these things, and yet by Governor Askew's own figures, our single greatest

year for tourist shows 25 million tourists in the state in the year.

The little state of Nevada, and I do then a minor disservice, which is a state of sand in a desert of sand in an unusual, limitless sand dunes of sand, has created the finest mecca for international tourist in the world.

Last year, on each day, and I quote you statistics, gentlemen and ladies of the Board, 75,000 tourists entered Nevada. In simple arithmetic, that is better than 25 million tourists a year going to the state of Nevada, whose sole claim to fame, besides a Hoover Dam and sundry other small varieties of interest, is state-controlled casino gambling.

That and the occasional reversion of an atomic missile buried in the earth somewhere that shatters the windows of some hotels.

They had as much tourist business as the state of Florida in the self same year.

To give you an indication of the score of tourists in Nevada, and then to equate it with the state of Florida, one of the better hotels there, as all of you are cognizant, I'm sure, is

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Caesar's Place. And each day over 20,000 tourists enter its portals.

Now, obviously, very few of these are guests of that hotel. The majority of them come for fun and games; they come to dine in the various restaurants of the area; to entertain themselves at the entertainment palaces that it affords; to have a drink at their respective bars; to shop in their respective retail establishments; yes, to relax at their tables. 20,000 tourists a day.

To give you another indication of progress in their hotel industry, and all generated by tourism, is the MGM Grand, which was built about a year ago. In the first nine months of its operation alone did \$66-million dollars worth of business.

In the first month of its operation when a hotel normally, because of its birthday pains and birthday pains, loses money in the first month of operation, made over 11-million dollars in its first month.

In a place like the Dunes, an old hotel, is presently contemplating a \$40-million dollar investment to create a theater, to add to

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their casino, and to add hundreds of rooms to their existing hotel facilities.

Let us compare that with the dismal picture that we face here in the state of Florida, and uniquely let me point out Dade County:

Nine years ago the last hotel was built in Miami Beach. Fourteen years ago in the City of Miami, except for the Holiday Inn, which was built about a year ago and opened, the only tourist establishment to be built and is presently building is Omni International.

These are the first two in 14 years. It's a pathetic commentary on a state that at one time had an international reputation for tourism and was the winter capital of the world.

I would like to point out to you some facts which were dwelt upon by Mr. Hank Messick.

I agree with him utterly when he discussed the horrendous conditions of Liberty City, which is what in the heart of the City of Miami.

He spoke of crime and corruption. Crime, indeed, is generated not by earlier conditions, it is generated by poverty and hopelessness.

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The entire County of Clark, in which Las Vegas is situated, had less crime last year than the City of Miami alone, and I speak of victim crimes, major crimes. This is statistical evidence.

I would like to mention to you the unemployment figures in the state which is predicated on tourism as its first-line industry: building industry of which at one time very recently became its second major industry, and now is third: the citrus industry is back into second place.

Unemployment figures in Dade County are 12.4 per cent; and Broward County, our neighboring county, it is 17.6.

It is the second highest statistical rate of unemployment in the United States of an unorganized area.

Palm Beach County is well over 12.4. The major counties, for tourism in this state, have suffered so badly.

The building industry, which today is on its knees, practically non-existent, has between 47,000 and 50,000 units of either state or local government units lying in the cellar.

Now this great state was built on

1 tourists, on people who came here who felt the cli-
2 mate, knew the pleasures of the area and came here
3 in their numbers to live, spread the word to the
4 northern and western states of the glories of this
5 great state.

6 And they built this great state, and
7 for many years we were the second fastest-growing
8 state in the union.

9 And I think it was last year we be-
10 came the fastest-growing state statistically in the
11 union, and today tourism has reached its abb.

12 I spoke of Miami Beach. Most of
13 the poor hotels have been changed into apartment
14 dwellings. That's how little tourism comes to
15 the state. When you realize the breadth of the
16 state, and only 25 million come down.

17 The good Governor spoke of cari-
18 catured gambling. I am certain that he said it
19 reluctantly, although I cannot speak for the
20 Governor.

21 Caricatured gambling has been an
22 existing factor in the state for some 44 years, and
23 in all of that time there has not been a single
24 vestige of criminal attributed to caricatured. It

has been as pure and clean as Caesar's wife, or at least as she has reputed to have been.

And it is because of the Board of the Bureau of Business Regulation that it is so, because the public monies that go into these race tracks that cover horses, dogs, harness racing, jai-alai and quarter horses are scrutinized thoroughly.

Employees are constantly under thorough scrutiny, and there have been no vestiges of scandal under state-regulated pari-mutuels.

And so we envision state-controlled casinos in this state. It is our plan that if via initiative it passes in the November elections, the general elections in 1976, if it should pass by 50 per cent plus one vote, it cannot be then vetoed by the Governor.

And that same type of business regulation that takes care of pari-mutuel could very well take care of state-regulated casinos.

To hark back to Vegas, just to show you the type that is presently existing there, the Hilton Corporation has two casinos going in Las Vegas.

It is their highest source of revenue.

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in all of their hotels. By far, it holds the hotel industry together. That is public corporation.

Caesar's Place floated bonds called "Caesar's World," in a time of economic depression through the country. Caesar's World pays 12 and a half per cent, and they have gone up.

Loew's has just opened a Grand Hotel in the principality of Monaco, and I can tell you this: I know Monaco intimately and well. It will be the single greatest industry for that great principality.

Your own Senator Cannon very recently at Caesar's Place, and I quote him almost verbatim, said this: That, "State-regulated casinos is the new growth industry of the United States, and that it is scrutinized more thoroughly and investigated more completely than any other single industry."

And this is the truth, from the federal level down, particularly in the State of Nevada where you have the Nevada Gaming Commission who has an intense, and deep and personal and selfish interest in having their tax dollars go to the proper coffers.

And today, Las Vegas is not the Las

1 Vegas of yesteryear. All of us will admit it was
2 founded by the criminal element.

3 But that has been belabored to the
4 point of nausea. Today Las Vegas casinos are under
5 the scrutiny of the Gaming Commission and of the
6 federal government, and it is scrupulously clean
7 and so it must be because of the tremendous invest-
8 ment involved.

9 I would like to mention this to the
10 honorable Board. 76 per cent of all the tourists
11 who enter this state come in via bus or automobile.

12 To some of you it may be a surprise
13 in figures, but my statistics are correct.

14 Can you envision the influx of
15 tourists who want to come here for fun and games,
16 and have not had it here in recent years?

17 As they come by their automobile
18 or by their bus, through the northern part of the
19 state, and visit the different hostels and
20 the different hotels, and Disney World, and Cypress
21 Gardens and all of the other tourist attractions,
22 as they wind their way through the state with
23 their families, the amount of additional monies
24 that would be expended to the state coffers.

1 The amount of monies that will go
2 to the retail establishments, the revitalizing of
3 the entertainment industry when they hit the major
4 hotels?

5 Revitalizing of the musician's union,
6 which is presently on its knees, as are so many of
7 the other labor organizations which feed hopefully
8 on tourists: the purveyors that will once again be
9 catering to the major hotels.

10 The taxi industry, I can think of
11 no industry that would not be beneficially aided
12 by increasing tourists and international tourists,
13 particularly among the affluent and the upper middle
14 class for fun and games, and they look for it else-
15 where.

16 They fly to the islands, and they fly
17 for six hours in their jocketeers in the New York area
18 and the Eastern Seaboard.

19 And from nine hours, if they are
20 taking regular public air flight transportation,
21 whereas they could be here in two.

22 I would like to say this to the
23 Board: That this state has a crying need for easing
24 gambling.

1 It is not the ultimate and final
2 and single panacea, nor do I intend to present that
3 as a piece of fact or a part of a fact to you. It
4 is not.

5 But it is the single most important
6 move that we, as a state, could do to generate in-
7 dustry into this state, and tourism is our industry.

8 It comes as no surprise to anyone
9 among you, I am certain, that the taxes that were
10 generated in this state fell so far short of expect-
11 tancy last year that the educational system of
12 this state was horrendously ignored.

13 And in Dade County alone, when the
14 student body attained 43,000 in community college
15 education, they were out short, which meant that
16 the poor and underprivileged, who wanted to lift
17 themselves up by their boot straps, by a higher
18 education. admittance to any of our community
19 colleges was denied after the cap of 43,000 was
20 reached.

21 I think this is a horrible commen-
22 tary to the affairs of this great state, and I
23 think that the tax dollars that will be generated
24 through state-controlled casinos, and which will

proliferate down to all the counties by population count, and I mention this to you, though I do not recall if I mentioned it prior, that we envisioned only those counties that have 300,000 or more population who, if they wanted to update it, would be granted the privilege of a casino license, and that would be scrutinized thoroughly where the revenues are concerned.

It would be of tremendous benefit to the state, to the educational system, certainly to our State Road Department.

We have an Alligator Alley that creates more deaths per running mile than any other major artery in the state, and yet there are not sufficient public funds generated to increase it to a four-lane highway.

Senator Foster of this great state, who has sold his life's work practically to improve the state roads, has not had sufficient votes passed to aid.

I could go on and on, but I know I have taken and perhaps taxed the patience of the Board beyond my limits.

I would like to ask permission to

1 Board, if they so will, to direct questions to me.

2 If it is within my power to answer, I shall.

3 CHAIRMAN MORIN: You present a great
4 case for your side of the issue.

5 Senator Taft.

6 SENATOR TAFT: I have no questions,
7 thank you very much.

8 CHAIRMAN MORIN: Dr. Allen?

9 DR. ALLEN: No questions.

10 MR. COLEMAN: Mayor, I also want to
11 commend you for your forthright presentation.

12 Let me ask you just one question:
13 You have heard it so many times from the people of
14 Nevada, you say it is the most highly regulated,
15 scrutinized, highly investigated industry in the
16 country, the gambling. I believe that was approxi-
17 mately your statement: is that correct.

18 MAYOR SCHOOL: State-regulated gam-
19 bling.

20 MR. COLEMAN: And the investigation
21 regulation, do you feel such high intensity regu-
22 lation and scrutiny is necessary in the gambling
23 industry, such as the operation of Nevada.

24 MAYOR SCHOOL: I think the gambli-

1 industry, if it should come to the State of Florida,
2 would require strict state regulatory procedures.

3 MR. COLEMAN: Why.

4 MAYOR SCHOOL: Because I do believe
5 that if we do not have regulatory procedures, at
6 least as strict as our own pari-mutuel, then there
7 is strong possibility that the criminal element
8 would invade a new territory.

9 Hopefully, through our efforts, we
10 could open a market for state-controlled casino
11 here, and I would personally demand, and I know my
12 associates join me in this, absolute state regula-
13 tion.

14 We also envision, not around the
15 clock casino gambling as it presently exists in
16 Las Vegas, but a period of 1:00 to 2:00, or 2:00
17 to 3:00, 4:00 a.m. to 2:00 in the morning.

18 CHAIRMAN MORIN: Thank you very much.

19 Miss Marshall?

20 MISS MARSHALL: No questions.

21 CHAIRMAN MORIN: May I also thank
22 you, Mayor School, for appearing. We appreciate
23 your coming over.

24 The hearing will stand adjourned.

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1 until 9:30 in the morning.

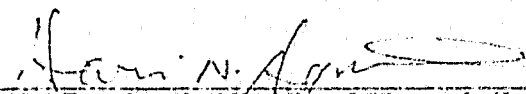
2 (Thereupon the hearing
3 was adjourned.)
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CERTIFICATE

STATE OF FLORIDA)
 : SS.
COUNTY OF DADE)

I, the undersigned authority, hereby certify that the foregoing transcript, pages 1 through 234, is a true and correct record of the proceedings had and testimony taken in the above causes, re: Commission On The Review Of The National Policy Toward Gambling, before Charles H. Morin, Chairman, at the time and place stated in the caption thereof.

IN WITNESS WHEREOF I hereunto set my hand and affix my official seal this 8TH day of December, 1975.


HARRIS N. HORVATH, CSR and Notary Public,
State of Florida at Large.

My Commission expires:
September 1, 1976.

HARRIS N. HORVATH, CSR
1124 ALFRED I. DUPONT BUILDING
MIAMI, FLORIDA 33131

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1124 ALFRED I. DUPONT BUILDING
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PUBLIC HEARING
COMMISSION ON THE REVIEW OF THE
NATIONAL POLICY TOWARD GAMBLING

Transcript of proceedings had and
testimony taken before CHARLES H. MORIN, Chairman,
at the U. S. Federal Courthouse, Miami, Florida,
on Tuesday, November 25, 1975, commencing at or
about 9:30 o'clock a.m.

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3 COMMISSION MEMBERS

4 CHARLES H. MORIN, Chairman
5 Attorney, Washington, D.C.

6 ETHEL D. ALLEN, M.D.
7 City Councilwoman, Philadelphia, Pa.

8 JAMES M. COLEMAN, JR.
9 Prosecutor, Monmouth County, N.J.

10 CHARLES F. PHILLIPS, JR.
11 Professor of Economics,
12 Washington and Lee University

13 SENATOR ROBERT TAFT
14 R - Ohio

15 STAFF MEMBERS

16 JAMES E. RITCHIE,
17 Executive Director

18 MARILU MARSHALL,
19 Deputy Director
20
21
22
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24
25

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PROCEEDINGS

1
2 CHAIRMAN MORIN: This is a hearing
3 of the Commission on the Review of the National
4 Policy Toward Gambling. This is the second day of
5 our eighth in a series of regional hearings.

6 Yesterday we heard from law enforce-
7 ment officials and prosecuting attorneys, and today
8 we have representatives of the defense bar. Our
9 first witness whom we are very happy to welcome here,
10 is Mr. David Rosen, in the private practice of law
11 in Miami.

12 MR. ROSEN: Thank you very much.

13 CHAIRMAN MORIN: Incidentally, thank
14 you very much for filing a statement ahead of time.

15 MR. ROSEN: Initially, I would like
16 to state that it is of no consequence to me whether
17 gambling is legalized or not. I do not gamble.

18 However, I do not condemn those who
19 do except that as a lawyer, I feel compelled to
20 oppose any illegal activity.

21 What is the public's attitude towards
22 gambling? I had a personal experience less than two
23 weeks ago which I believe fairly well demonstrates
24 it: As I pressed the down elevator button, a young
25 man who was a total stranger simultaneously pushed

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1 the up button. He immediately reached into his
2 pocket, pulled out a dollar bill and said, "A buck
3 says my elevator gets there first."

4 Obviously, he simply wanted to amuse
5 himself for the next 15 to 30 seconds. There are
6 countless numbers of people I have met in my every-
7 day life who would never consider knowingly violating
8 a law except they will and do gamble. I should like
9 to discuss with you briefly several Federal prose-
10 cutions which I believe demonstrate an abuse of the
11 manner of enforcement or distortion of the Federal
12 gambling laws.

13 The first is, an out-of-state agent
14 was assigned undercover duty to investigate local
15 gambling activities. After several months of
16 gambling and drinking with bettors and bookmakers,
17 he returns to his home base.

18 The agent then placed an interstate
19 call to my client whom he had never met for the
20 purpose of making a wager. Failing to reach my
21 client, he called a bettor and asked him to call
22 my client to place the bet for him, which was never
23 accomplished.

24 My client was indicted for causing
25 the agent to place an interstate call for betting

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1 purposes. Needless to say, after the government
2 presented its case-in-chief, the trial Judge entered
3 a judgment of acquittal.

4 The indictment and trial caused my
5 client to incur substantial expenditure for legal
6 fees and costs, but more important was the extreme
7 anxiety he suffered between indictment and acquittal.

8 The anxiety was very substantial in
9 light of the fact that he had once served a five-year
10 prison term for violation of the Federal wager tax
11 laws. This experience is an example of the abuse
12 of enforcement power.

13 As a postscript to this incident --
14 and once again perhaps reflecting upon the public's
15 attitude -- after this case was concluded, several
16 jurors, my client, and I were riding down the
17 elevator in the courthouse. One of the jurors tugged
18 at my client's coat sleeve and asked him whether it
19 was correct that there was a 12-point spread in the
20 upcoming Notre Dame game. My client stated that the
21 last line was 21 points, for which the juror
22 profusely thanked him. I would have preferred that
23 the conversation did not take place on Federal
24 property.

25 A second example, in which I believe

1 the Department of Justice has distorted the statutes
2 and forced the law to fit certain facts, involved an
3 investigation of a licensed hotel and gambling casino
4 in Nevada which disclosed skimming activities. The
5 Nevada statutes required casinos to report the
6 amount of gambling to the State Gaming Commission.

7 The hotel, which of course was engaged
8 in interstate commerce, and the principals were
9 charged under the Federal laws with the crime of
10 engaging in interstate gambling activities in
11 violation of the State gambling laws, in that the
12 amount of wagers were not correctly reported to the
13 State. I submit Congress did not contemplate a
14 Federal crime in these circumstances.

15 A third example involves abuses in
16 prosecuting cases under the illegal gambling statute,
17 Title 18, United States Code, Section 1955, which
18 I call the five-man law. Congress has determined
19 that a gambling business involving five or more
20 people and which does a certain amount of gross
21 business presumptively has an impact on interstate
22 commerce. Accordingly, Congress eliminated the
23 necessity of proof of a nexus between such a
24 gambling business and commerce for Federal juris-
25 diction.

1 Congress contemplated a single
2 gambling entity on the theory that a bookmaker in
3 order to operate successfully and balance his books,
4 must be in a position to lay off bets. The govern-
5 ment has proceeded to indict, try, and oftentimes
6 convict the personnel of two separate and distinct
7 bookmaking operations.

8 To demonstrate the fallacy of this
9 theory, I will refer to a prosecution that occurred
10 in this district: Two bookmakers who were engaged
11 in their chosen activity were the subject of separate
12 and concurrent wiretaps originally having no
13 relationship to each other.

14 An analysis of the two wiretaps
15 reflects the following sequence of events:

16 A customer called Bookmaker A for
17 the purpose of making a wager. In the same tele-
18 phone conversation, the bookmaker asked his customer
19 if he could move a particular bet. The bettor in
20 turn called Bookmaker B and placed that bet with
21 him.

22 Shortly thereafter, another customer
23 called Bookmaker B and made a bet. In this con-
24 versation, Bookmaker B asked his customer if he would
25 do him a favor and see if he could move the same

1 wager that Bookmaker B received from his other
2 customer.

3 The bettor said he would try and
4 thereafter called Bookmaker A and placed the bet.
5 Bookmaker A did not realize that he had accepted
6 the very bet that he had laid off earlier.

7 Obviously, these two bookmakers
8 were not engaged in a gambling enterprise, but
9 nonetheless were indicted together as being par-
10 ticipants in a single gambling enterprise.

11 A further prosecutorial abuse
12 resulted in the same case because the customers of
13 the two bookmakers were likewise indicted for their
14 single active participation. The foregoing is
15 just some of the governmental tactics being used
16 under the gambling laws as they exist today.

17 Most cautiously, I should like to
18 comment further about the unevenness of the ultimate
19 disposition of the defendants by the judiciary
20 where there are convictions. I have personally
21 participated in cases where gambling defendants
22 have received sentences ranging from 10 years in
23 prison to fines of \$1,000.00. The disparity, of
24 course, is a result of the attitude of the sen-
25 tencing Judge. The \$1,000.00 fine to which I refer

1 involved a matter where the Judge originally decided
2 to place the bookmaker on probation for a period of
3 three years. I explained to the Judge that the
4 bookmaker, who was sixty-five years old, had spent
5 his entire adult life as a bookmaker and knew of no
6 other means of gainful employment.

7 Although he could successfully engage
8 in bookmaking and not violate the Federal laws, he
9 would be violating the State laws and therefore,
10 breaching conditions of his probation. Appreciating
11 these circumstances, the Judge eliminated the
12 probation and fined the bookmaker a \$1,000.00 fine.

13 As I stated initially, whether or not
14 gambling is legalized is no personal concern to me.
15 I am disturbed by the crime being committed which
16 results from the enforcement or lack of enforcement
17 of the gambling laws. Although the cost of
18 deterring crime should not be a factor in investiga-
19 tion, prosecution, and punishment, the dollar amount
20 expended by the government in gambling cases is
21 excessive when compared with the results of the
22 prosecutions and the deterrent effect.

23 If a bookmaker is taken out of
24 circulation by reason of incarceration, the customer
25 will either find a new bookmaker or will himself

1 become a bookmaker. It would be presumptuous of
2 me to suggest that legalizing gambling would be a
3 panacea. I do believe, however, that the anti-
4 gambling laws, the method of enforcement, and the
5 corruption attendant thereto, make a mockery of an
6 otherwise stable institution known as justice.

7 I thank you for inviting me to
8 express these thoughts.

9 CHAIRMAN MORIN: Thank you very much,
10 Mr. Rosen.

11 Yesterday, speaking of the deterrent
12 effect of prosecutions, the question was asked of
13 FBI witnesses, would it help to prosecute the
14 bettor. I thought his answer was very promptly
15 and emphatically no.

16 I wonder if you would comment on that;
17 that is, prosecution against the customer, as it
18 were.

19 MR. ROSEN: I don't think the jails
20 would be sufficiently large should you find a Judge
21 that would be anti-gambling, because gambling is,
22 I think, a fact of life.

23 Of course, the betting world are the
24 ones that make gambling profitable. It is the
25 bettors that make bookmakers; bookmakers do not make

1 bettors.

2 CHAIRMAN MORIN: You don't think
3 that an indictment of gambling offenses would be
4 socially unacceptable?

5 MR. ROSEN: I think it would be
6 unacceptable and I think it would be manifestly
7 unfair.

8 CHAIRMAN MORIN: Why would it be
9 unfair?

10 MR. ROSEN: Well, we liken it to the
11 prohibition days, then, for the person who consumed
12 illegal whiskey. I suggest that that would have
13 been unfair.

14 I don't think there is any distinction
15 between it. People will drink and people will
16 gamble.

17 CHAIRMAN: Supposing you legalized
18 the operation and then prosecuted the gambler for
19 betting illegally.

20 MR. ROSEN: I don't think I have an
21 answer to that, Mr. Chairman.

22 CHAIRMAN MORIN: I am sure you don't.
23 I don't think anyone does. I was just curious as
24 to what your reaction would be.

25 MR. ROSEN: My reaction is that it

1 would be contrary to our way of life.

2 CHAIRMAN: Well, you are saying that
3 the customer is inclined to risk indictment and
4 prosecution by going to the illegal bookmaker rather
5 than avoid it by going to the legal bookmaker?

6 MR. ROSEN: I think some would,
7 dependent upon their credit standing, their ability
8 to carry it for a week, two weeks, or perhaps six
9 months, which the bookmaker of course wouldn't be
10 able to do -- although with casinos, they do carry
11 their customers in those areas.

12 But depending upon the odds of a
13 particular event, whether the legal bookmaker is
14 presenting the same spread that the private book-
15 maker would have, I do think that there are those
16 who would go to placing illegal bets.

17 CHAIRMAN MORIN: I think, then, what
18 you suggest is strengthening the deterrent effect
19 of the present statutes, and I guess that that lands
20 in the lap of the judiciary.

21 MR. ROSEN: No, I don't think that
22 that is the answer for the simple reason that the
23 gambler or the bettor who makes bookmakers will
24 always find someone or a bookmaker to place a wager
25 or -- and I have seen it happen -- where a bettor

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1 will become a bookmaker himself.

2 It is not uncommon that many book-
3 makers are bettors who just became bookmakers by
4 reason of wanting to take more action and have more
5 action going.

6 CHAIRMAN MORIN: And I take it you
7 don't see any answer?

8 MR. ROSEN: I frankly don't. I
9 think the way I see it, the gambling laws, consi-
10 dering the nature of people, are unenforceable.

11 CHAIRMAN MORIN: How would you
12 recommend they be changed?

13 MR. ROSEN: Well, as I stated
14 initially or at the conclusion, I don't think
15 legalizing gambling is a panacea, but I think some
16 form of legalized gambling is better than having th
17 illegal activity going on and being socially
18 acceptable and heavy attendant crime that runs off
19 from the illegal gambling.

20 Of course, I refer to police cor-
21 ruption, bribery, political activities of gamblers,
22 elections.

23 CHAIRMAN MORIN: I thought I heard
24 you share our dilemma for a moment.

25 MR. ROSEN: I do.

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1 CHAIRMAN MORIN: Senator Taft?

2 SENATOR TAFT: Mr. Rosen, would you
3 give us a little of your background and experience
4 as a practicing attorney in Miami?

5 MR. ROSEN: Yes, I have been
6 practicing since 1949, spent four years as an
7 Assistant United States Attorney here, and since 1957,
8 have been in private practice engaged exclusively in
9 Federal Court.

10 I would say about 90 percent of my
11 practice involves criminal matters.

12 SENATOR TAFT: How much of that has
13 been involved in gambling offenses?

14 MR. ROSEN: There is a portion of it
15 dealing with gambling, but if it were legalized I
16 wouldn't feel any effect from it.

17 SENATOR TAFT: You mentioned in your
18 closing remarks that "anti-gambling laws, the method
19 of enforcement and corruption attendant thereto, is
20 making a mockery of an otherwise stable institution
21 of justice." Can you give us some examples of
22 corruption attendant thereto?

23 MR. ROSEN: Well, I refer to some of
24 our larger metropolitan areas. I do not refer to
25 Miami or Dade County at this time.

1 Of course, it is common knowledge
2 that in the early forties, mid-thirties, gambling
3 was very much an accepted way of life here in Miami.
4 Every hotel that had a cigar stand didn't sell
5 cigars; it was a bookmaking establishment and was
6 known to be a bookmaking establishment. There were
7 wide-open gambling casinos operating throughout
8 Dade County, Broward County.

9 SENATOR TAFT: And they were illegal,
10 so I assume there was some corruption or payoff there

11 MR. ROSEN: There were prosecutions.
12 As a matter of fact, when I was Assistant United
13 States Attorney, I prosecuted the former Deputy
14 Sheriff of Broward County on a tax matter on a
15 net-worth basis, and it is my recollection that on
16 his tax return he actually reported money that he
17 received from gambling establishments, but the ques-
18 tion was whether he reported all of it.

19 Our Sheriff of Dade County was
20 prosecuted on a net-worth basis also.

21 SENATOR TAFT: You mentioned the
22 disparity in sentencing. Do you have any recom-
23 mendation to suggest to the Commission as how we
24 might cure the disparity in sentencing?

25 MR. ROSEN: Well, this is a subject

1 that is broached, as I say, very cautiously because
2 it is the function of the judiciary as opposed to
3 any legislative enactment.

4 I feel that it properly belongs in
5 the judiciary, but it is almost a question of good
6 fortune as to which Judge a gambling defendant is
7 brought before. A Judge who is highly anti-gambling
8 will impose, such as was given in one case, a ten-year
9 sentence. True, this particular defendant was con-
10 sidered a large, maybe the largest layoff bookmaker
11 in the country.

12 But no matter how thick or thin the
13 slice is, it is still gambling and it is nothing more
14 than gambling.

15 I wouldn't recommend that the
16 legislature in any way impose any minimum mandatory
17 sentences. I think it offends the judiciary in the
18 first place. I think Judges feel that they are
19 qualified to make their own determination; but I
20 will merely point out that it is almost fortuitous
21 for some defendants to appear before a Judge who
22 just doesn't think gambling is or should be a
23 violation of the law, and this Judge as I pointed
24 out recognized the defendant to be a bookmaker, and
25 rather than put him on probation he hit him for a

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A.
1 \$1,000.00 fine.

2 SENATOR TAFT: Have you represented
3 any clients in gambling offenses other than for
4 bookmaking?

5 MR. ROSEN: For gambling offenses or
6 persons supposed to be involved in gambling?

7 SENATOR TAFT: Gambling offenses.

8 MR. ROSEN: I am sorry, I don't
9 understand.

10 SENATOR TAFT: Gambling offenses,
11 numbers --

12 MR. ROSEN: No.

13 SENATOR TAFT: Casino operations.

14 MR. ROSEN: Well, I have been
15 involved in this Nevada case that I mentioned, but
16 I never participated in a numbers defense --
17 strictly sports, horses.

18 SENATOR TAFT: Your comments
19 principally are directed toward bookmaking, then?

20 MR. ROSEN: Yes, sport betting
21 and horses.

22 SENATOR TAFT: Getting back to the
23 Chairman's question, if bookmaking were made legal
24 and if you really enforced any ban upon it, other
25 than legal bookmaking, couldn't legal bookmakers

1 give credit and wouldn't their odds be comparable
2 to what one could get elsewhere?

3 MR. ROSEN: I think it could. I
4 don't know whether it would be done that way. I
5 would have to assume that in a legal bookmaking
6 operation, there would be credit restrictions.

7 I don't know how it is done in
8 Great Britain, for example, where they do have
9 bookmakers all over. I don't know whether they
10 can extend credit or not. I haven't studied their
11 method of operation there; but if it were the
12 same odds and the man could take a telephone bet,
13 for example, and operate in the same way that
14 illegal bookmakers operate today, then there would
15 be no reason for a customer to go to an illegal
16 bookmaker.

17 SENATOR TAFT: Well, you have to
18 have enforcement. In the first place, you have
19 to have disclosure for tax purposes, but it might
20 be an advantage that the illegal bookmaker could
21 still operate to a bettor who didn't want to comply
22 with the tax laws?

23 MR. ROSEN: I don't think that is
24 a major concern of the bettor or the bookmaker,
25 evasion of the tax laws.

1 There may be an individual here and
2 there that is making a huge bet, but your everyday
3 bettor, I don't think he is concerned about that.
4 I don't think we should worry about that.

5 CHAIRMAN MORIN: Dr. Allen is a
6 City Councilwoman in Philadelphia, member of a
7 dozen committees.

8 DR. ALLEN: Mr. Rosen, I only have
9 but one question: If you had a recommendation to
10 this Commission as to what recommendation they
11 should make to the Congress of the United States
12 relative to the existing gambling laws that you
13 covered in your dissertation, what recommendation
14 would it be?

15 MR. ROSEN: I would make a flat-out
16 recommendation that all anti-gambling laws be
17 abolished. I do not think they are enforceable.

18 DR. ALLEN: That all anti-gambling
19 laws should be abolished?

20 MR. ROSEN: That's right.

21 DR. ALLEN: Thank you very much.

22 Thank you, Mr. Chairman.

23 CHAIRMAN MORIN: You mean State as
24 well as Federal?

25 MR. ROSEN: Yes.

1 CHAIRMAN MORIN: It would be dif-
2 ficult for the Congress of the United States to
3 abolish all the State gambling laws.

4 MR. ROSEN: I realize that. I am
5 not suggesting that they be abolished without a
6 method of control of gambling, like we have in
7 the pari-mutuel operations in this State, that type
8 of activity.

9 But as it exists today, it just
10 isn't workable.

11 CHAIRMAN MORIN: Mr. Coleman, who
12 is a prosecuting attorney in New Jersey, who has
13 been on the other side of the fence for some time.

14 MR. COLEMAN: Thank you, Mr. Chairman.

15 Mr. Rosen, we have heard here and in
16 other places around the country the words "organized
17 crime."

18 Do you have an opinion as to the
19 people involved in bookmaking, whether they would be
20 considered organized crime? I understand some of
21 the men involved in gambling are also in the
22 racketeering business, extortion, hijacking,
23 things like that, so-called mob activities, or
24 are the two separate entities?

25

1 MR. ROSEN: Well, I would say this:
2 That I have represented probably 40 to -- well,
3 approximately 40 individuals charged with book-
4 making activities, and I would with no qualifications
5 state that in my opinion, they are in no way
6 connected with the term "organized crime" -- they
7 just are not,

8 MR. COLEMAN: Mr. Rosen, I have only
9 one other question. You made a statement, others
10 have made also, that the anti-gambling laws are
11 simply unenforceable, because the enforcing
12 authorities do not or cannot afford the time and
13 manpower, in your opinion.

14 MR. ROSEN: No, I don't think it
15 has much to do with the law enforcement people.
16 It has to do with the desire of the public to
17 gamble.

18 As I said earlier, bookmakers
19 don't make gamblers or bettors; bettors make
20 the bookmakers.

21 MR. COLEMAN: There is nothing so
22 sophisticated about any operation that it can't
23 be detected with wiretapping, very little, given
24 the time and expense of making the effort, as
25 far as the enforcement people are concerned. They

1 have the tools to pretty much stop any operation
2 they want to; don't they?

3 MR. ROSEN: They may stop an
4 operation, but if that one is stopped another one
5 is going to come up.

6 MR. COLEMAN: I understand. In
7 other words, that is the basis of saying it is
8 unenforceable, because you won't stamp it out?

9 MR. ROSEN: That's right.

10 MR. COLEMAN: I appreciate it.
11 Thank you very much.

12 CHAIRMAN MORIN: Miss Marilu
13 Marshall, Deputy Director of the Commission.

14 MISS MARSHALL: Thank you very
15 much, Mr. Chairman.

16 First of all, I would like to
17 express to Mr. Rosen the appreciation of the staff
18 for the amount of time he spent with us and for
19 the help he has given us.

20 Thank you, Dave, for coming.

21 Mr. Rosen, to carry on along the
22 lines of questioning that Mr. Coleman was pur-
23 suing with you, we have been told time and time
24 again by Federal law enforcement officials in
25 Washington as well as around the country that

1 gambling revenue forms the largest single source
2 of revenue for organized crime; and carrying that
3 one step further, this revenue is in turn
4 reutilized to finance or engender other illicit
5 activities. The examples most commonly put
6 before us are loan sharking and narcotics activities.

7 I understand your position vis-a-vis
8 your organized crime aspect of the bookmaker
9 personnel, but could you comment for us on the
10 potential use of gambling revenue and other illicit
11 activities?

12 MR. ROSEN: It is difficult to
13 answer -- difficult question, rather. I would
14 have to assume -- and it is an assumption that
15 in some areas of illegal gambling there would be
16 individuals who will use extortion as a method
17 of collecting debts and will use proceeds to get
18 into other criminal activities.

19 I have not personally observed
20 this type of activity or individuals who are
21 involved in that, but I just don't feel that I
22 can comment on it.

23 I have not seen it. I have read
24 about it but I have read so much involving so
25 many inaccuracies that the source of the information

1 becomes more important.

2 So, other than telling you what I
3 have read. I am sure you have read the same thing
4 also, and I would have no knowledge concerning
5 that or opinion except that having not seen it,
6 I would doubt it.

7 MISS MARSHALL: The only other thing,
8 Mr. Rosen, is based on Mr. Wampler's testimony,
9 a representative from the Miami Strike Force. He
10 stated that there has not necessarily been a
11 de-emphasis of Federal law enforcement in the Southern
12 District of Florida regarding gambling violations,
13 but gambling violations now formulate a smaller
14 percentage of their workload than it once did.

15 They appear to be turning their
16 interest, as he described it, toward extortion
17 cases, labor cases, et cetera.

18 Do you agree with this and if so,
19 do you have any basis for an opinion as to why
20 the trend is shifting away from gambling violations?

21 MR. ROSEN: Well, number one, in
22 answer to your first question, I don't know about
23 the de-emphasis of it, but I do know that there has
24 been a considerable drop in prosecution of gambling
25 cases by the Federal Government in the past year

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1 to two years, I would have to say.

2 The second, a causative factor,
3 may very well be involved in that because almost
4 every gambling or bookmaking case that I have seen
5 in the past six years or thereabouts have involved
6 wiretaps, and I don't know whether there are any
7 figures on the cost of a wiretap installation and
8 the monitoring and then the typing and then the
9 reviewing and the ultimate prosecution, I would
10 have to estimate that it is absolutely astounding.

11 I don't know what it costs, but
12 when you sit down and realize that to wind up
13 with typed transcripts, perhaps a foot and a half
14 to two feet high, that involves so many agents
15 sitting there and monitoring the tapes, monitoring
16 the calls first of all, writing up a log, shifting
17 two agents on each tap, and then later sitting
18 down and listening to it, and then other agents
19 participating trying to identify who the individuals
20 are in the taps, preparing it, and then getting
21 it ready for trial, I have no idea what it costs
22 but it has to be phenomenal.

23 MISS MARSHALL: Based upon past
24 experience, Mr. Rosen, I would have to agree with
25 you. Thank you again for coming.

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1 MR. ROSEN: Thank you very much for
2 inviting me.

3 CHAIRMAN MORIN: There being no
4 other questions, I should repeat the thanks on
5 behalf of the Commission. Thank you very much for
6 coming.

7 MR. ROSEN: Thank you.

8 CHAIRMAN MORIN: Our next witness
9 is Mr. Jack Key, representative of the Florida
10 Department of Criminal Law Enforcement. We have
11 sandwiched you in-between two members of the
12 defense bar.

13 MR. KEY: Yes, sir; that is fine.

14 CHAIRMAN MORIN: Before you start,
15 you have given us the right thing here because
16 yesterday we were trying to get the definition
17 of organized crime out of the Federal Bureau of
18 Investigation.

19 MR. KEY: Yes, sir.

20 CHAIRMAN MORIN: Now, I see you have
21 the answer.

22 MR. KEY: Well, you will see it is
23 rather broad and in some instances, rather inclusive.

24 MR. SCULLY: Mr. Chairman, my name
25 is Richard Scully and this is Mr. Jack Key, and we

1 both are special agents for the Florida Department
2 of Criminal Law Enforcement. Our agency is a State
3 criminal investigative agency with State police
4 powers, and at the present time we have approximately
5 100 special agents in the field in six different
6 field offices across the State serving some 67
7 counties.

8 In addition to the criminal law
9 enforcement responsibilities, we also maintain a
10 statewide telecommunications system, State
11 university crime reporting system, and a State
12 identification bureau for the purpose of criminal
13 records identification.

14 The department has formulated one
15 definition here which we use as a guideline in
16 defining organized crime as it pertains to Florida.
17 Congressional hearings in the past, such as in the
18 1963 Senate Subcommittee hearings, identified
19 La Cosa Nostra and what that element is across the
20 country.

21 We find it in Florida, and we are
22 experiencing the influences of those major La
23 Cosa Nostra families that do exist in Northern
24 cities as well as Miami-based or Florida-based La
25 Cosa Nostra families, such as the Trafficante family.

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We have also experienced numerous other influences which Vinnie Teresa (phonetic) best described as being "The Mob," which if I may enter into the record, are definitions.

"Organized crime is a society that seeks to operate outside the control of the American people and their governments. It involves thousands of criminals working within structures as complex as those of any large corporation, subject to laws more rigidly enforced than those of legitimate governments. Its actions are not impulsive, but rather the result of intricate, self-perpetuating, criminal conspiracies carried on over many years and aimed at gaining control over whole fields of activity in order to amass enormous profits by any means.

"Organized crime participates in any illegal activity that offers maximum profits at a minimum risk of law enforcement interference. These activities would include but not be limited to:

- "1. Gambling (both legal and illegal)
- "2. Narcotics and dangerous drugs,
- "3. Loansharking (shylocking),
- "4. Manipulation of stocks, bonds, securities,

1 "5. Labor racketeering, and

2 "6. Infiltration of legitimate
3 businesses for legitimate or illegitimate purposes.

4 "Despite personnel changes, the
5 conspiratorial entity continues. It is a malignant
6 parasite which preys on human weakness. It
7 flourishes on fear and corruption; obtains a high
8 degree of immunity from the law; and is
9 totalitarian in its organization.

10 "It imposes rigid discipline on
11 underlings who actually perpetrate the crimes while
12 the leaders of organized crime are generally
13 insulated from the criminal act and the consequent
14 danger of prosecution."

15 One could take this definition and
16 point to numerous examples that support this
17 definition we have articulated here.

18 I have attached for the Commission's
19 review a definition as provided by the Omnibus Crime
20 Control and Safe Streets Act of 1968, which
21 attempted to more briefly define the problem; also,
22 the Task Force on organized crime, the President's
23 Commission on Law Enforcement in the Administration
24 of Justice, the definition of organized crime as
25 we understand it to be promulgated by the United

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1 States Department of Justice.

2 The Law Enforcement Assistance
3 Administration's recent guidelines that came out
4 attempted to describe not only what organized crime
5 is but what organized crime is not: It is not
6 limited to such illegal activities as gambling,
7 prostitution, loan sharking, narcotics, and labor
8 racketeering, but it is also involved in cargo
9 theft, fencing, official corruption, violent crimes,
10 and complex economic crime.

11 It is not synonymous with the Mafia
12 or La Cosa Nostra, although this group represents
13 the most experienced, diversified, and best-disciplined
14 of such conspiratorial groups.

15 I might add further that it is not --
16 organized crime does not include subversive groups
17 dedicated to radical political change or terrorism.
18 It is not limited to any one geographical area but
19 is regional and national in scope.

20 Another portion of the material I
21 furnished to you outlines the principal activities
22 of organized crime as we see them in Florida.
23 These are not necessarily in order of importance
24 or significance: Gambling, loan sharking, legitimate
25 business, real estate, narcotics, labor racketeering,

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1 movement from other states -- and that should be
2 interpreted as the influx of the hoodlum element
3 from Northern cities to Florida to become more
4 permanent and more deeply engrained in our society
5 here -- pornography, stolen property, stocks and
6 securities.

7 At this point, I would like to turn
8 to Mr. Key to continue and tell the problem as we
9 see it in Florida.

10 MR. KEY: Thank you, Mr. Chairman.

11 As Mr. Scully pointed out, in Florida
12 we feel it is unique from the organized crime
13 standpoint. We thought that this Commission should
14 get a better understanding possibly of what Florida
15 has in the way of organized crime.

16 For instance, publicly identified
17 is approximately 27 La Cosa Nostra or Mafia families,
18 if you want to refer to it as such; and in Florida
19 we have 15 of those families represented.

20 We have documented those members
21 that have been identified operating here in Florida.
22 Yes, we have organized crime in South Florida. We
23 have it in Central Florida and we have experienced
24 an influx in the North Florida area.

25 For instance, Florida now is quite

71.
1 concerned. We have a tremendous influx of organized
2 crime figures from the State of New Jersey. We
3 have a tremendous amount of bookmaking going on
4 here in Florida.

5 We do have corruption in Florida.
6 We have loan sharking; we have an infiltration of
7 legitimate business. A lot of this money that is
8 being generated from illicit activities we feel is
9 certainly being invested in legitimate concerns
10 here in Florida, including Florida real estate.

11 Organized crime has certainly
12 infiltrated the real estate market in Florida and
13 there again, we can document this.

14 I think in Florida again, from
15 uniqueness, as it was pointed out yesterday,
16 Florida is known as an open area. We do have
17 various illicit activities being carried on here.

18 From the State of New Jersey -- I
19 pick on New Jersey from one standpoint, but they
20 have come a long way. New Jersey has created
21 their commissions. Unfortunately, it drove the
22 element out of New Jersey to Florida and we have
23 got the problem now.

24 But I think Florida has come a long
25 way from the standpoint of our criminal justice

1 system. Florida now has something known as the
 2 statewide grand jury. We have now a second state-
 3 wide grand jury that is involved in the investigating
 4 of illegal gambling. This has helped.

5 Florida has also experienced the
 6 influx of Canadian orgainzed crim activities. As
 7 I said, not only do we have gambling in South
 8 Florida; we also have it in Central Florida and
 9 North Florida, but I think Florida is trying to
 10 at least combat some of the things we feel are
 11 needed in the area of various forms of gambling.

12 We do not take the position "yea" or
 13 "nay" for extending various forms of gambling,
 14 whether it be casino gambling, statewide lotteries,
 15 or off-track betting. Those are certainly forms
 16 of gambling that we probably would like to point
 17 out may be some of the things that the public
 18 should be thinking of; possibly this Commission in
 19 their final report might want to mention.

20 But we think that law enforcement
 21 also should have a voice from the standpoint of
 22 maybe our needs; what they are going to be in the
 23 future from the standpoint of trying to enforce laws
 24 if we are confronted with additional forms of
 25

1 gambling; how do we combat it?

2 We look at it from the standpoint
3 of a control problem. We look at Las Vegas and we
4 look at Miami -- again, control, I think, is a
5 big factor.

6 You have two major cities in the
7 State of Nevada. They have one that sits out
8 in the middle of a desert. They have one airport,
9 and the law enforcement authorities out there
10 pretty well know who comes and goes. We are
11 continuously getting calls from the State of
12 Nevada in the event that people that are suspected
13 of being engaged in illegal activities here in
14 Florida show up in Las Vegas.

15 So, from that standpoint, when you
16 look at Florida we have numerous airports. From
17 a control factor, we have a lot more people here
18 in Florida, and these are some of the things that
19 we pointed out during the last legislature.

20 We would like to point out that
21 we originally had a statute on the books con-
22 cerning bookmaking and I will read you that. It
23 is: engaging in bookmaking by taking or receiving
24 of any bet or wager upon the result of any trial
25 or contest of skill, speed, power or endurance of

1 man, beast, fowl, or motor vehicle, is guilty of
2 a first degree misdemeanor up to one year."

3 The 1975 Florida Legislature passed
4 an additional statute which is much broader, covering
5 bookmaking to the extent that anyone who receives
6 or accepts more than five bets or receives bets
7 totaling more than \$500.00, or engages in a common
8 bookmaking scheme with three or more persons, is
9 guilty of a felony in the third degree punishable
10 up to five years imprisonment. That statute was
11 just put on the books in 1975.

12 I think Mr. Scully here has some
13 statistics we would like to furnish the Committee
14 and read into the record, at least law enforcement's
15 approach to combating illegal gambling in the area
16 of the lottery and bookmaking.

17 MR. SCULLY: In Florida, several
18 years ago, with this responsibility or mandate
19 from the legislature to establish a system of
20 uniform crime reporting in Florida, we decided to
21 expand the data obtained from local police agencies
22 beyond part two offenses, which are major offenses
23 reported to the Federal crime reports, and Florida
24 has been obtaining statistics from the arrests
25 in Florida for gambling and for narcotics which are

1 not presented or reported nationally.

2 In 1972 -- I will cover bookmaking
3 first -- there were 124 arrests in Florida for
4 bookmaking. 1973, there were 99, a decrease of
5 22 percent.

6 In 1974, there were 67 arrests for
7 bookmaking, a decrease of 32.3 percent from the
8 previous year.

9 In the area of lottery, starting
10 again with 1972, there were 553 arrests; 1973,
11 there were 544, a decrease of 2.3 percent.

12 In 1974, there were 531, a decrease
13 of 2.6 percent. So, the lottery has been rather
14 consistent on an average of 500-plus arrests each
15 of these three years.

16 The third category that is reported
17 statewide is called "all other gambling," which I
18 presume is predominantly based upon arrests for
19 dice games and card games: In 1972, there were
20 2,778 arrests. In 1973, there were 2,459, a decline
21 of 11.5 percent.

22 In 1974, there were 2,760, a decrease
23 of 12.2 percent. It is obvious that while there
24 has been testimony given maintaining that bookmaking
25 is one of the largest problems we experienced in

1 the State of Florida, that is most essentially true
2 and we are dealing with organized crime elements
3 and its relationship to gambling.

4 However, statistics for arrests do
5 reflect less arrests in Florida statewide for
6 bookmaking than there was for lottery, and less
7 arrests for lottery than there were for all other
8 forms of gambling.

9 I think we will await your questions
10 on those statistics but I am sure they are sug-
11 gestive of varied interpretations.

12 Since our department has been
13 responsible for this program, it has been receiving
14 only data over the past three years from local
15 agencies, and I would also add in our department's
16 additional statistical data, in the year 1974 our
17 department made 33 arrests across the State for
18 gambling and in 1975 through October of this year,
19 there has been one arrest based on a department-
20 initiated investigation and 30 others made jointly
21 with local agencies.

22 At the present time, our department
23 is working with numerous agencies in support of
24 the statewide grand jury. As was reported
25 in earlier testimony, there has been thus far

1 obtained over 300 indictments for various forms of
2 gambling.

3 In 1974, the department opened seven
4 cases, and in 1975 opened 22 cases.

5 The number of cases may appear small;
6 however, again recognize we have 100 agents in 67
7 counties. We have a mandate to investigate all
8 forms of organized crime activities in the State of
9 Florida.

10 We have a responsibility to provide
11 support to local police agencies when a particular
12 type of investigation exceeds their jurisdiction
13 or exceeds their capability. Over the past few
14 years, too, I might, in looking at the State
15 statistics, remind the Commission that there has
16 been particular emphasis on a statewide basis in
17 regard to narcotics and some gambling activity,
18 and with the 18 months that the first statewide
19 grand jury operated in Florida, commanding support
20 from State and local agencies combating the
21 importation of large-scale multi-ton narcotic
22 shipments into the State.

23 MR. KEY: Mr. Chairman, if I might
24 comment further, as I pointed out, from the stand-
25 point in Florida, I think Mr. Scully and I sat

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1 through the hearings yesterday, listened to each
2 of the witnesses and made some observations.

3 I think I have jotted down five --
4 some of those that appeared before the Commission,
5 I think were trying to, as far as we were con-
6 cerned -- it appears that it will generate additional
7 revenue, whether it be casino gambling or off-track
8 betting or a statewide lottery; would reduce
9 illegal gambling in Florida, would provide some
10 sort, some form of entertainment for people from
11 the tourism standpoint, will not have effect on
12 other forms of legal gambling revenues or reduce
13 the increase -- excuse me, will have an effect on
14 other forms of legal gambling and will reduce or
15 increase, depending upon legal enforcement.

16 Of course, that is why Mr. Scully
17 and I are here. We would like to at least give
18 our opinion from the standpoint of -- we feel that
19 law enforcement, if this is put on the community
20 itself, we hope that the Commission and other
21 people will at least take into consideration that
22 many of the points that have come out, that
23 organized crime does survive -- it has been said
24 that its largest source of revenue comes from
25 gambling.

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1 Yes, Florida has been plagued with
2 corruption. I would like to read something here
3 that we feel that the syndicates have grown and
4 evolved; they have become more -- employed more
5 varied and sophisticated means.

6 Bribery is a form of nullification
7 which still exists, that has been supplemented by
8 an intricate web of political favors and hidden
9 payoffs with a semi-legitimate cover.

10 I think one of the Commission's
11 questions yesterday was directed as far as our
12 Florida pari-mutuel wagering -- do we have on-track
13 illegal betting.

14 Yes, we do. We have had complaints
15 on several occasions. We have reported this and
16 worked in close cooperation with the Division of
17 Pari-Mutuel Wagering; but we have found that at
18 the tracks, that it is a very closely-knit group
19 that participates in this form of illegal gambling
20 on-track, and consequently they are hard to
21 infiltrate because we have found that there are
22 people that are coming in from other areas of the
23 Caribbean to Florida and do go out to our race
24 tracks and we have documented cases where this has
25 existed.

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1 So consequently, yes, we have had
2 that problem here in Florida; but as I say, I
3 think Florida has come a long way in the criminal
4 justice system and other areas of the country have
5 also, and hopefully that Florida -- at least we have
6 been told in the past -- is slowly becoming the
7 leader from the standpoint of criminal justice system

8 I will throw it to Mr. Scully now
9 and any more questions from the Commission.

10 MR. SCULLY: One case is an instant
11 case that our department was involved in 1971. Our
12 department has not implemented the Florida wiretap
13 statute -- probably isn't used as broadly as some
14 people think we should. We try to exercise this
15 privilege and authority judiciously to target
16 efforts toward major types of criminal investiga-
17 tion for which we feel it was most definitely
18 intended.

19 The first time we used this law,
20 the wire intercept law, was in regard to a Central
21 Florida gambling operation. We found that to be
22 a very expensive investigative endeavor with the
23 amount of resources that are required, not only to
24 man and operate the intercept equipment and the
25 logging and tabbing of data, but also the field

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1 surveillance that requires numerous manpower
2 resources to cover and document and provide sup-
3 porting evidence.

4 This case lasted approximately 22
5 months and it was surrounding a major figure in
6 Central Florida who was previously identified in
7 1963 in the Senate Sub-committee hearings as a
8 member or associate member of organized crime.

9 This case at the conclusion of 22
10 months and five separate wire intercepts, one built
11 upon the other, ultimately involved persons in eight
12 different counties in Florida and persons in two
13 other States.

14 Where we had been led to believe in
15 the past that additional financing at times came
16 from the Florida organized crime element, we found
17 to the contrary that the representatives of this
18 organization had gone in fact to a New Jersey La
19 Cosa Nostra figure for additional financing when they
20 had problems in the conduct of their gambling
21 operations.

22 Some people say that the local
23 gambling is not connected to organized crime. I
24 think this is very difficult to just accept. I
25 find it difficult to accept.

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1 Ultimately, we found in Florida that
2 we would have difficulty prosecuting these cases
3 in eight different counties and two other States,
4 and we referred our information to a Federal grand
5 jury in Tampa, Florida, which ultimately resulted
6 in the indictment of 60 persons.

7 I don't have the statistical results
8 but based on that case, 56 ended up being convicted,
9 one died -- I don't know the disposition of the
10 other three -- but to us, it was a case of major
11 consequence.

12 We did have to resort, though, to
13 the Federal capability because this case did in
14 fact exceed our jurisdiction, and this also led
15 support too for our statewide grand jury which was
16 created in Florida to attack organized crime because
17 of the more broad jurisdictional requirements.

18 Mr. Key, do you have anything further?

19 MR. KEY: One point further: Even
20 the various forms of gambling such as we have in
21 Florida, implemented bingo, we have had problems
22 trying to control bingo. We have had documented
23 cases where organized crime figures actually operated
24 the game.

25 We have had allegations of possible

1 extortion where organized crime figures have come in
2 and tried to extort the operating of these games.

3 So we point out, again hopefully,
4 that if Florida does decide to enact various
5 additional forms of gambling, we just hope that again,
6 as I pointed out, the law enforcement community
7 would be considered and hopefully, they will give
8 us more tools to at least try to combat some
9 of the ills that come with some of the various
10 forms of gambling.

11 Thank you.

12 CHAIRMAN MORIN: I wonder if you
13 would tell us a little bit about the cooperation
14 in Florida afforded by the Federal Government, the
15 FBI Strike Force, other Federal statutes.

16 MR. KEY: Mr. Chairman, I guess I
17 could answer that: I personally have been assigned
18 in Miami for the past nine years. For the past
19 four years, I have been assigned full time to the
20 staff of the Federal Strike Force under Mr. Wampler
21 and have been there, like I said, for the past four
22 years.

23 Mr. Scully is based in Tallahassee
24 and prior to going to Tallahassee, he also headed
25 up our operation down here. We shared office

1 space on the top floor with the U. S. Department of
2 Justice Federal Strike Force and the bottom floor
3 was our department.

4 Our department did get a few extra
5 positions and we expanded our operation and constantly
6 had to move our office; but even though I still
7 remained as the representative on the Miami Strike
8 Force from the Florida Department of Criminal Law
9 Enforcement, the cooperation has been very great.

10 We couldn't ask for any better
11 cooperation.

12 The FBI, our relationship with
13 them in the past, we have even worked joint
14 investigations with the FBI. As Mr. Scully
15 pointed out, our department is small; we have a
16 limited amount of agents, but consequently we
17 do get the cooperation from the Federal authorities
18 in any investigation, whether it be extortion,
19 gambling, or what have you.

20 CHAIRMAN MORIN: So, their intel-
21 ligence is available to you in State prosecutions?

22 MR. KEY: Yes. At times, in fact,
23 we have used certain Federal agencies that have
24 given affidavits in support of maybe a search
25 warrant for the State level, yes.

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1 CHAIRMAN MORIN: What about wiretap
2 information?

3 MR. KEY: No, we do furnish at times --
4 if they do pick up certain information they can
5 turn it over to, you know, the State authorities
6 if it is a State violation as such.

7 CHAIRMAN MORIN: What about if it
8 is evidence to prove a State violation?

9 MR. KEY: Yes, I think they can
10 turn that over to us, and we can use it.

11 CHAIRMAN MORIN: Secondly, I think
12 perhaps I am or anyone else is apprised of the
13 number of lottery prosecutions as compared to
14 bookmaking. It seems to be increasing. How do
15 you explain that? What is the nature of the
16 lottery prosecutions?

17 MR. SCULLY: U.C.R. statistics don't
18 give the nature of the lottery violation, what
19 degree; but it is a felony to conduct lottery
20 operations, and it is a misdemeanor to have pos-
21 session of certain lottery paraphernalia.

22 With that large volume, I do know
23 that possession of a lottery ticket is in fact
24 a violation of the Florida Statutes and is a mis-
25 demeanor offense. Many times when persons are

1 booked for other criminal offenses, during the
2 course of the property inventory, an investigator
3 or booking officer will find evidence, possession
4 of a lottery slip, and that may be another State
5 statute that any numbers violation would fall
6 within.

7 CHAIRMAN MORIN: Senator Taft?

8 SENATOR TAFT: I notice in your
9 comments, you talk about organized crime activities,
10 including legal gambling operations. Can you expand
11 on that, what legal operations?

12 MR. SCULLY: I would think that
13 it relates here in Florida to the legalized casino
14 gambling from Las Vegas, and I guess operations
15 back in Florida.

16 SENATOR TAFT: And it is not legal
17 in your State?

18 MR. KEY: No, but the Caribbean
19 and Las Vegas is what we are pointing out..

20 SENATOR TAFT: What extent is
21 organized crime involved in bookmaking, in your
22 opinion?

23 MR. KEY: I think based on the
24 investigations that are currently going on, I
25 think on past investigations, we have established

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1 that yes, to a great degree organized crime is
2 involved in the bookmaking end of it.

3 SENATOR TAFT: How are they involved?
4 Do they have their own agents?

5 MR. KEY: Yes, they have their own
6 agents. When you go back and look at the gambling
7 arrests through the years here in Dade County,
8 and especially some of those cases that have been
9 prosecuted and convicted at the Federal level
10 from the Strike Force efforts, I think they certainly
11 point out that there have been people indicted and
12 convicted, or those cases, some of them being
13 presently awaiting adjudication, have pointed out
14 that they have an organized crim's definite
15 involvement in the bookmaking end of it.

16 SENATOR TAFT: Does the average
17 bookmaker have some kind of payoff to organized
18 crime?

19 MR. SCULLY: Not necessarily, not
20 her in Florida. We are kind of unique her as
21 was pointed out. As I said, we agree wholeheartedly
22 that no one individual her, no one family as such
23 controls that particular activity.

24 SENATOR TAFT: But you still think
25 that organized crime is involved in it?

1 MR. KEY: To some degree, being
2 bankrolled by that particular operation.

3 SENATOR TAFT: I don't have any
4 further questions.

5 CHAIRMAN MORIN: Mr. Coleman?

6 MR. COLEMAN: Thank you very much.

7 Do you serve under the Attorney
8 General's Office or are you a separate entity? Who
9 do you answer to, as you believe?

10 MR. SCULLY: The head of our
11 department is the Cabinet of the State of Florida,
12 which is the Governor and six other publicly-elected
13 members of the Florida Cabinet.

14 MR. COLEMAN: Those figures, Mr.
15 Scully, that you gave us of 1974, have any jail
16 sentences for convictions been imposed on book-
17 makers?

18 MR. SCULLY: I could not confirm
19 or deny that with the information I have presently
20 available, sir.

21 MR. COLEMAN: Two other things: One,
22 you mentioned activities as you see them of
23 organized crime. Do you have any information of
24 any instances where you prosecuted people for
25 gambling who have also been prosecuted for

1 narcotics violations?

2 MR. KEY: Mr. Coleman, we have a
3 County here in Florida, in which the gambling law of
4 that particular County was certainly not being
5 enforced. I personally had mentioned to a couple
6 of public officials approximately seven years ago
7 that when law enforcement breaks down, they do
8 not vigorously enforce the gambling law of the
9 State of Florida, that other types of activity
10 will follow.

11 Seven years later, approximately a
12 month ago, we went back to that same County and
13 we arrested approximately 20, 22 individuals,
14 including three public officials, and other
15 individuals who through the past seven years
16 our department had investigated from the stand-
17 point of gambling.

18 We had arrested one lottery banker
19 alone and we seized \$120,000.00 in cash out of
20 a closet. Seven years later we went back to that
21 same County -- we had been back since and made
22 arrests for gambling, and so forth; but we went
23 back and made arrangements for sale and delivery
24 of cocaine, and that was approximately a month ago.

25 MR. COLEMAN: Lottery gamblers as

1 opposed to bookmakers?

2 MR. KEY: Right, this particular
3 County, primarily limited to lottery.

4 MR. COLEMAN: I have listened in
5 the last two days on how my state exports more
6 than vegetables (laughter). The operation of
7 these figures who are migrated figures, is it
8 your opinion that they are still engaged in some
9 conspiratorial activity between Florida and New
10 Jersey? Are they still alive in New Jersey?

11 MR. KEY: Yes, sir. Of course,
12 we feel some of them left the State of New Jersey
13 to avoid the New Jersey State Crime Commission
14 which they didn't want to appear before. Some
15 of those individuals that are here in South
16 Florida, major individuals that were in New Jersey,
17 have been in the last two or three months arrested
18 through the efforts of the statewide grand jury
19 and their probe into illegal gambling. They were
20 conducting activities down here in Florida.

21 MR. COLEMAN: Has this information
22 gone back and forth? I assume you turn that
23 information over to the New Jersey authorities?

24 MR. KEY: Yes, we work very closely.
25 At one time with New Jersey authorities from the State

1 police and the New Jersey State Crime Commission,
2 much correspondence and telephone calls were going
3 on daily.

4 They felt that maybe it would be
5 even better from a cost factor to assign somebody
6 from New Jersey down here to combat the problem.

7 But yes, we have received excellent
8 cooperation from the New Jersey State Police and
9 the New Jersey State Crime Commission.

10 MR. COLEMAN: Thank you very much.

11 CHAIRMAN MORIN: Dr. Phillips?

12 DR. PHILLIPS: The figures that you
13 gave us for arrests, show something over 3,000
14 per year for each of the years '72 through '74.

15 MR. SCULLY: Yes, sir.

16 DR. PHILLIPS: Could you give us
17 your assessment of the Florida judicial attitude
18 towards gambling?

19 MR. SCULLY: All right, sir. That
20 will vary somewhat, as Mr. Rosen pointed out,
21 according to judicial discretion. There are hard
22 Judges and there are lenient Judges that are
23 recognized by everybody concerned, depending
24 upon the matter of their perspective.

25 You are asking me a very personal

1 opinion. I want to qualify that as being a personal
2 opinion. I feel that there is an attitude of
3 tolerance by the judiciary and by the public
4 sitting as a jury. There is an attitude of
5 tolerance toward gambling, probably predicated on
6 the degree of heinous crime that they experience
7 and deal with on a day-to-day basis.

8 DR. PHILLIPS: Thank you.

9 CHAIRMAN MORIN: Mr. Ritchie?

10 MR. RITCHIE: When the policeman
11 does not make an arrest for gambling, the public
12 assumes that he is being corrupted and bribed.
13 When the Judge doesn't put gamblers in jail, you
14 make the same assumption, that the Judges are
15 crooked. Is that why you think they are not
16 putting people in jail?

17 MR. KEY: Mr. Ritchie, some counties
18 in the State of Florida -- and I am sure it is
19 true elsewhere -- when they do have a gambling
20 problem, there is a possibility in fact that the
21 public in that community -- it appears that way --
22 they condone it; consequently, a good, young law
23 enforcement officer on the force may be called in
24 by the chief or lieutenant or whatever rank, and
25 says, "Look, just lay low from that particular area.

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1 The people condone it here."

2 I know this has happened. A law
3 enforcement officer told me he was born and raised
4 in that particular area, "and my supervisor called
5 me and told me to lay off"; consequently he did.

6 They didn't bribe that particular
7 individual or pay him off or absorb him in the net
8 as such. That is the situation that you have.

9 MR. RITCHIE: So, it is really the
10 system we are talking about. To acquaint you
11 with my own experiences, I didn't know parlay cards
12 were illegal until I was an Assistant United States
13 Attorney. Essentially, it is a system that has
14 developed in this country.

15 MR. KEY: Yes.

16 MR. RITCHIE: What would happen
17 if this direct conduit of funds from a particular
18 illegal enterprise to a very pervasive system of
19 criminal industry, as you have described organized
20 crime, what if that were known by the public? Do
21 you think they would give a damn or keep right on
22 gambling or what?

23 MR. KEY: Mr. Scully here heads up
24 the Organized Crime Council and he is involved in
25 the public awareness program, and so forth. Dick

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1 was assigned here in Miami and worked, as I said,
2 as an agent; so, I think Dick could probably tell
3 you about that.

4 MR. SCULLY: Mr. Ritchie, we
5 plan to initiate on a statewide basis a public
6 awareness program on the ill effects of organized
7 crime. One of the areas we are wrestling with is
8 this decision on how to alter the public's attitude
9 towards participatory involvement in organized
10 crime's goods and service by receiving it.

11 People want to get a bargain on a
12 refrigerator, they want to gamble, and if they want
13 to bet whether the elevator is going to come up or
14 down first -- we recognize that is a public attitude
15 problem and we are facing that task now, and I
16 think we have recognized that we are not going to
17 deter the citizen from gambling if he wants to
18 gamble.

19 I don't think anything you tell them
20 will convince them that there is something
21 ultimately evil about gambling. I don't think we
22 will be successful in convincing these 50-cent
23 bettors or 10-dollar bettors, that their bets
24 result in heroin from Southeast Asia.

25 MR. RITCHIE: You do not ascribe

1 that the two-dollar bet means murder. Of the 27
2 La Cosa Nostra families that have been identified
3 in the United States, you have said that 15 of those
4 families have located in Florida.

5 What do they do down here? Are they
6 down here enjoying the sun?

7 MR. KEY: No, those that have come
8 down, we have found them in legitimate businesses
9 as such. It does give them -- we found that
10 organized crime figures -- as I say, not only are
11 they residing here but they come down and hold
12 their meetings at times, based on their legitimate
13 businesses, such as bars and hotels and restaurants,
14 which gives them a cover where they can gather and
15 discuss whatever business.

16 MR. RITCHIE: But realize, Mr. Key,
17 if Florida were under four feet of snow year-round,
18 they wouldn't come here; would they? They come
19 here for the same reason everybody else comes here?

20 MR. KEY: They also come down here
21 and engage in illicit activities such as gambling
22 and loan sharking.

23 MR. RITCHIE: They don't come down
24 here because you welcome them. Florida has a
25 policy against organized crime, certainly, and your

1 department is the envy of many States.

2 MR. SCULLY: We do have the sun and
3 we don't have the snow, Mr. Chairman. I might
4 observe that with the pressures exerted, probably
5 from 1969 on, the concerted efforts of the Federal
6 investigative authorities, the Miami Strike Force,
7 concerted efforts by different agencies including
8 many of the local agencies here that are committed
9 to anti-organized crime efforts, we have noticed
10 a migration of some of these people who have
11 previously found a haven in Miami or Dade County,
12 are now moving northward into the Broward County
13 area, and even some areas, moving over into the
14 Central Florida area because of the heat generated.

15 MR. RITCHIE: So, you believe then
16 in the war against organized crime, law enforcement
17 is winning?

18 MR. KEY: No.

19 MR. SCULLY: No.

20 MR. RITCHIE: You do not believe you
21 are winning?

22 MR. SCULLY: No.

23 MR. RITCHIE: What is it going to
24 take? If you have 100 agents, are you going to have
25 to have 400 agents, 1,000 agents?

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1 MR. SCULLY: Of course, if we get
2 coordination, all the resources available through
3 public funds today, we can probably reduce their
4 effectiveness to zero tomorrow, but we are not
5 capable of effecting that degree of coordination.

6 MR. RITCHIE: Well, bringing it
7 into focus, then, that this Commission is wrestling
8 with, of the 15 La Cosa Nostra families down here --
9 I am not quarreling with your definition of organized
10 crime; you seem to have done your research cor-
11 rectly -- but you could have the Yellow Peril in
12 there as far as that definition is concerned
13 (laughter).

14 Of the 15 La Cosa Nostra families
15 that are down here, how many of them are actively
16 engaged in controlling illegal gambling activities
17 in the State of Florida and can you tell us, is
18 it 91, one, is it the Traficante family?

19 MR. KEY: Not necessarily. As I
20 have said, we have a separate group in Central
21 Florida, one in the Tampa Bay area, and of course
22 then we have South Florida; but to say how many
23 of them are engaged in gambling and loan sharking,
24 and so forth, no, those figures I could not give
25 you as such.

1 I can say that based on investiga-
2 tions, yes, they are engaged in various forms of
3 illegal activities.

4 MR. RITCHIE: Do you understand
5 the limit of law enforcement? If we put all of
6 the bookmakers in jail, they still wouldn't stop
7 gambling. It would probably, through the publicity
8 given to the bookmakers from their arrest, increase
9 their business rather than decrease it.

10 Certainly, whatever tactic law
11 enforcement develops, such as electronic surveil-
12 lance, et cetera, it just makes the operation more
13 sophisticated.

14 MR. SCULLY: Very true.

15 MR. RITCHIE: There has been no
16 success in eliminating the activity.

17 MR. KEY: I think many individuals
18 that have been indicted, convicted, were back in
19 business, if they stopped at all, within hours
20 after paying a small fine.

21 I think this is discouraging when
22 one considers the thousands of dollars of
23 investigative efforts that have been put forth.
24 Hopefully, as again with this Commission and other
25 State Commissions, and so forth, that maybe through

1 testimony from the public and law enforcement, we
2 can establish and analyze existing laws, prosecutive
3 efforts, and maybe develop recommendations for
4 new legislation, whatever is needed.

5 Again, we appreciate the opportunity
6 to come before this Commission and share our views.

7 MR. RITCHIE: I am not through yet.
8 Assuming that criminal justice system has become
9 too burdensome for this type of enforcement effort,
10 would it be your suggestion that the Commission
11 consider alternatives such as civil remedies to
12 enforce the will of the people, whatever that will
13 of the people might be?

14 MR. SCULLY: You mean like in civil
15 injunctions to enjoin the gamblers from engaging
16 in this way of life?

17 I heard that presented by the
18 National Association of Attorneys General Committee
19 from the Office of the Attorney General -- I forgot
20 which State developed that concept.

21 I thought it was an excellent posture
22 that a State could take.

23 MR. RITCHIE: Do you believe the
24 Judges would be more sympathetic to incarcerating
25 people for contempt than they are presently for

1 incarcerating people for violating some anti-gambling
2 law, State or Federal?

3 MR. SCULLY: I would say yes.

4 MR. RITCHIE: You come closer to
5 home if the gambler doesn't pay attention to the
6 Judge's order.

7 MR. SCULLER: Yes, sir.

8 MR. RITCHIE: We have got a number
9 of people of the 15 La Cosa Nostra families; and
10 when I was in Detroit, I always used to see in the
11 wintertime, these people all came down here. Mr.
12 Meyer Lansky resides in this area.

13 Are these people an adverse
14 influence to your community? Are they corrupting
15 the entire Florida system?

16 MR. KEY: It depends upon -- well,
17 maybe one particular individual from Detroit,
18 the Giacalone, the Giacalone did come to Florida
19 and they engaged in the building of homes, and so
20 forth; and consequently, there were a lot of
21 lenders that loaned money out on certain buildings
22 that were constructed which at the last minute,
23 yes, there were people that lost money because of
24 the defaults, and so forth from that particular
25 element.

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1 Of course, we have other elements
2 too that are being -- as far as defrauding people
3 in the State of Florida -- but yes, they do come
4 down here and exploit as much as they can.

5 MR. RITCHIE: I certainly want to, on
6 behalf of the Commission, express our appreciation
7 for the assistance we have been given. I have known
8 Mr. Key for years and we have obtained and
9 exchanged information. You may come up with a
10 solution for us.

11 CHAIRMAN MORIN: I would like to
12 thank you also on behalf of the Commission. I
13 know that you have spent time in preparation for
14 this and we do appreciate it very, very much.
15 Thank you.

16 MR. KEY: Thank you very much.

17 MR. SCULLY: Thank you very much.

18 CHAIRMAN MORIN: Our next witness
19 this morning is Mr. Jay Hogan, another prominent
20 member of the defense bar here in Miami.

21 MR. HOGAN: I don't know what your
22 procedure is, gentlemen. I filed a short state-
23 ment with you. If you want me to read it, I
24 will read it. I have no need to if you don't see
25 fit.

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1 CHAIRMAN MORIN: We have a note
2 indicating you are somewhat of a specialist in the
3 area of wiretapping. Since we haven't had time to
4 read it, perhaps that would be a good way to start,
5 if you don't mind.

6 MR. HOGAN: I have been engaged in
7 the defense of Federal and State gambling cases
8 since 1962. My first involvement was in New Orleans
9 when my partner and I defended Gil Beckley for a
10 period of 16 weeks along with 13 other bookmakers.

11 Since then, I have had Federal
12 gambling cases in the Eastern and Western Districts
13 of Michigan, the District of South Carolina, the
14 Eastern District of New York, the Southern District
15 of New York, the Northern District of Georgia, the
16 Southern District of Mississippi, the Eastern
17 District of Pennsylvania, the Northern District of
18 Ohio, and the Southern, Middle and Northern
19 Districts of Florida.

20 These involved charges under Title
21 18, United States Code, Sections 1952, 1084 and
22 1955. Cenerally we have been successful in
23 preventing the incarceration of our defendants
24 either by a verdict of not guilty, or by plea
25 bargaining.

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1 The greatest blow to illegal
2 gambling in the United States is not the gambling
3 laws which Congress enacted, but the enactment
4 of Title III.

5 It is impossible for a bookmaker
6 to operate on a large scale or even a medium
7 scale without the use of a telephone. The book-
8 makers are scared to death that the Government is
9 listening in on all of their calls, not only for
10 the prosecution of gambling laws, but for the tax
11 consequences based on the old 10 percent of the
12 gross wagers and the new two percent of the gross
13 wagers that the Government imposed.

14 What the wiretap law has done is to
15 cause the so-called wise-guy, or large-scale
16 professional bettors to move to Las Vegas. The
17 bookmakers that are left operating in the Districts
18 where I have practiced generally will not accept
19 long distance telephone calls or make long distance
20 telephone calls for fear of violating Sections 1084
21 and 1952; however, they will make that one call in
22 the morning from a pay phone or receive a call on a pay
23 phone, to get the line for the day's events.

24 This leaves the Government generally
25 attempting to prosecute under Section 1955, which

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1 requires five or more people being involved in
2 conducting the illegal gambling business. Generally
3 this is where the abuse in the prosecution of
4 gambling laws occurs, since the Government is
5 doing anything to attempt to find those five persons.

6 For instance, should I be betting
7 with a bookmaker, and a friend of mine asks me to
8 put him down for \$200.00 on the Miami game and I
9 call my bookmaker and say I want to bet \$200.00
10 for myself and \$200.00 for Jack Jones, the
11 Government contends that I am one of those five
12 people, I am a bookmaker, since I am laying off
13 another's bets. I don't think Congress intended
14 this when they enacted the law.

15 I do find that the prosecution in
16 the gambling cases are becoming more selective
17 in the last year or so, in attempting to aim at
18 only the large-scale gambling operations. However,
19 once again, I must point out that it is not the
20 gambling laws per se that are responsible for
21 successful prosecutions, it is Title III, which
22 allows the Government to be on a bookmaker's
23 phones for a period of 30 days or longer.

24 In each of the Districts where I
25 have worked, the newspapers and the prosecutors

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1 strongly feel that gambling is controlled by the
2 Mafia or by a single mob or syndicate. This is
3 just not true. The sports bookmaker's only
4 connection with any syndicate or mob is when he goes
5 broke and needs to borrow money from a shylock at
6 usurious interest.

7 When this occurs, it is true that
8 the lender sometimes in an attempt to protect his
9 investment will involve himself in the operation
10 of the gambling business, but generally when the
11 loan is repaid the shylock no longer is interested
12 in conducting the gambling business. Even John
13 Scarney in his revised edition of "Scarney's New
14 Complete Guide to Gambling" agrees with me on this
15 point.

16 Should the Federal and State govern-
17 ments really be interested in eliminating wagering
18 on sports, they should have a mandatory minimum
19 sentence of say 90 days for any person convicted
20 of betting on a sporting event. The bettors have
21 been treated like the customers of prostitutes and
22 are generally not prosecuted or if prosecuted
23 allowed to pay a small fine.

24 Therefore, no one is afraid to make
25 a bet and as long as there are people willing to

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1 but, there will be bookmakers willing to take the
2 risk of being incarcerated for accepting wagers.

3 Finally, I think that all gambling
4 should be made legal, but very truthfully, I
5 cannot envision how it would be controlled. Those
6 persons who are present bookmakers throughout the
7 country are not going to be the ones to obtain
8 Government licenses, nor are they going to keep
9 sufficient records to satisfy the tax people.

10 Possibly the thing to do would be to
11 sell licenses for say \$25,000.00 a year and let
12 them run their own business and pay their income
13 taxes but have no tax on the gross wagers.

14 In closing, I would like to mention
15 that a bookmaker when he is caught generally has
16 a tax lien assessed against him for hundreds of
17 thousands of dollars, a lien put on his home, and
18 his vehicles are seized.

19 If he has to go to the penitentiary,
20 when he is released he cannot obtain legitimate
21 employment because the tax people take his wages;
22 therefore, he is forced to return to the illegal
23 occupation.

24 Thank you for the opportunity to
25 present some of my views.

1 CHAIRMAN MORIN: If we did prosecute
2 the bettors, would that aid law enforcement?

3 MR. HOGAN: If they don't want to
4 stop gambling, what difference does it make? I
5 mean, I know I have been a bettor all my life. I
6 know doctors, lawyers, State Senators, high-type
7 people as far as the public is concerned. They
8 all bet on football.

9 Now, if you are going to say that
10 you are going to put them in jail for 90 days,
11 one of two things is going to happen: Either they
12 are going to change the gambling law and legalize
13 it, or they are going to stop betting.

14 If I know that I am going to jail for
15 90 days for betting \$200.00 on the Miami game or
16 on Houston and Pittsburgh last night, I am not going
17 to make a phone call.

18 CHAIRMAN MORIN: I am not disagreeing
19 with you.

20 MR. HOGAN: I am just disagreeing
21 with the people that say that the bookmakers are
22 the ones that are bad. It takes two to tango, and
23 just as the people who use prostitutes -- I am not
24 against that, either -- but I think that they are
25 as guilty as the ones providing the service.

1 CHAIRMAN MORIN: Well, I yield to
2 Senator Taft.

3 SENATOR TAFT: Mr. Hogan, you say
4 that you represented defendants in gambling cases
5 in the Northern District of Ohio. When did that
6 take place?

7 MR. HOGAN: That was in Cleveland
8 with the Spiltoro gambling operation.
9 I represented a fellow from Niles, Ohio -- I forgot
10 his name now. They all pled guilty.

11 I got out of the case because they
12 wanted to plead and very truthfully, with the fees
13 I charged, they don't need me to plead guilty, so
14 they all pled and got probation.

15 SENATOR TAFT: How long ago was that?

16 MR. HOGAN: Four or five years ago.
17 I think they have since been reindicted.

18 SENATOR TAFT: Do you think that
19 Title III is good legislation?

20 MR. HOGAN: No, sir. I think it is
21 unconstitutional. Unfortunately, what is consti-
22 tutional now is what the Supreme Court says it is;
23 but it is up to the members of the Supreme Court
24 if it is constitutional as far as they are concerned.

25 I think in 15 or 20 years, we will

1 realize what we are giving up when we allow the
2 government to be in our closet for 30 days at a
3 time, and sooner or later it will be ruled
4 unconstitutional.

5 SENATOR TAFT: Are there any other
6 legal intercept practices that you feel are improper?

7 MR. HOGAN: No, sir. As a matter
8 of fact, if you are going to use bugging or that
9 type, I am not against consensual interception
10 where one party consents or an informer is wearing
11 a transmitter to record conversations with a
12 criminal or potential defendant. This doesn't
13 bother me.

14 It does bother me, though, when
15 the government goes into a person's home and listens
16 on their phone to their telephone conversations
17 without them knowing it. It is just abhorrent to
18 my way of thinking and it is not what this country
19 was built on.

20 SENATOR TAFT: You say you were
21 active in gambling cases. Have you acted as
22 defense counsel in other types of criminal cases
23 involving organized crime?

24 MR. HOGAN: Yes, sir; about 65
25 percent of my work involves defense where the Strike

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1 Force is involved. I have problems with organized
2 crime -- all crime is organized, but it takes two or
3 more people, and every bookmaker is organized
4 because the bettors have to bet with them and he
5 has to keep books and records, so he is organized.

6 But any connection he has to any
7 Mafia or one syndicate controlling him or to pay
8 off -- and I have represented major bookmakers all
9 over this country -- in every single instance, there
10 has never been a connection I can find to organized
11 crime with any of these men to any payoff they made
12 to any member or syndicate, as in Mr. Ritchie's
13 former jurisdiction in Detroit, representing an
14 alleged major bookmaker. It is just not true.

15 SENATOR TAFT: Outside of the book-
16 making field, let's talk about Title III outside
17 of the bookmaking field. Do you think Title III
18 is important to the prosecution of organized crime
19 cases outside of bookmaking?

20 MR. HOGAN: Eighty-five or 90 per-
21 cent of all the cases are bookmaking cases, sir.
22 They have used, since 1968, Title III. It is
23 very seldom that they use it for anything else.

24 SENATOR TAFT: What about numbers?

25 MR. HOGAN: Numbers is gambling --

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1 policy. I was in the Blackburn case that was men-
2 tioned by the gentleman here before in the Northern
3 District of Florida in connection with 62 defendants,
4 a lottery operation; and contrary to what he said,
5 the money was financed by used car dealers in the
6 Jacksonville area.

7 SENATOR TAFT: Do you think your
8 job would be any easier or harder in defending
9 defendants in organized crime if Title III was not
10 in existence?

11 MR. HOGAN: It would be harder -- of
12 course, there is no question. However, the end
13 result with the Title III up until the present
14 time is that it is almost impossible for the -- I
15 won't say impossible, but it is very hard for the
16 government to write a good Title III application
17 and to conduct the execution of the warrants in a
18 proper way, because it is a very stringent law if
19 it is followed.

20 SENATOR TAFT: Do you think it is not
21 being followed?

22 MR. HOGAN: No, sir; I think it is
23 not.

24 SENATOR TAFT: Is there anything we
25 can do to tighten it up?

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1 MR. HOGAN: The best thing I could
2 ask you to do is to repeal it. I don't think it
3 is worth what we are giving up to put some
4 gamblers in jail, to give up our right of privacy.

5 The number of narcotics cases, the
6 number of extortion cases, the number of murder
7 cases used is minimal. It wouldn't involve 30 cases
8 a year in the United States of America on the
9 Federal level.

10 On the State level, they mentioned
11 they had 300 indictments from the statewide grand
12 jury. I represent the people -- I recently got
13 into State prosecutions because of this wiretapping -
14 in my opinion, the applications and affidavits and
15 the orders are completely illegal, poorly written
16 for the simple reason that they never went to a
17 prosecutor. The police officers themselves went
18 to the Judge and made application. They bypassed
19 the prosecutor; for what reason, I don't know.

20 SENATOR TAFT: What do you feel is
21 the difference between the Title III application
22 and a search warrant? You have to have probable
23 cause to come before a Judge with either.

24 MR. HOGAN: Yes, but you don't have
25 in the execution of a search warrant -- you can't go

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1 in and stay there for 30 days. You understand what
2 I mean?

3 With search warrants, you have
4 specific things that you may go in and seize -- for
5 instance, gambling paraphernalia. You go in and
6 break down the door, and what you have to do is
7 seize the stuff, you give the fellow an inventory
8 for what you have taken, and you leave.

9 With Title III, number one, you don't
10 tell him you are coming in; number two, you can
11 stay there without informing him for up to --

12 SENATOR TAFT: You don't have to tell
13 him you are coming in in a search warrant unless
14 he is there.

15 MR. HOGAN: Absolutely.

16 SENATOR TAFT: It is not necessary
17 for him to be there.

18 MR. HOGAN: True, you don't have to,
19 but you can take your stuff and you leave an
20 inventory, but that is a limited intrusion.

21 With the chain wiretaps, they have
22 wiretaps on telephones for 180, up to 300 days
23 with extensions.

24 SENATOR TAFT: Often, they are a lot
25 shorter than 30 days.

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1 MR. HOGAN: Often they are, especially
2 in the Federal system; but in the State system,
3 they are not, and they are on that phone just as if
4 they were in the closet, hiding in your closet for
5 a period of 30 days overhearing all your private
6 conversations.

7 Recently here in the State of
8 Florida, we have a case where the government
9 surreptitiously broke into a man's office, put a
10 bug in there which transmitted all the conversations
11 in the office. After a period of 30 days, they
12 broke in again and they took the bug out.

13 So, they are committing two crimes
14 of breaking and entering on two different occasions
15 to surreptitiously place a transmitter in there
16 to record all of the conversations in his office
17 for a period of 30 days.

18 SENATOR TAFT: You say that is a
19 violation of law. If it was by a Court order, it
20 is not a violation of law.

21 MR. HOGAN: It hasn't been ruled on
22 whether they can commit a crime to go in and do it.
23 There is no case ruling directly on whether they
24 broke and entered to surreptitiously place a bug.

25 SENATOR TAFT: How much judicial

1 supervision is there in the actual operation of the
2 wiretaps?

3 MR. HOGAN: On the Federal level,
4 it has been quite good. They have five and ten
5 and fifteen-day reports.

6 On the State level, in the statewide
7 grand jury, the ones that I have been involved in,
8 there is none at all. Judge Atkins in Florida
9 signed a number of them -- he is in Tallahassee,
10 and during the pendency of the tap he was not
11 informed of what was going on.

12 The others were signed by a Judge
13 here in the Florida Circuit Court, who formerly
14 ran against our State Attorney Richard Gerstein.
15 He signed all the wiretaps for the Dade County
16 ones and he had no control over the tap, what was
17 going on during the pendency of the tap.

18 As a matter of fact, he delegated
19 the sealing of the tapes at the close of the tap
20 to the police officers, so they had complete free-
21 dom to do what they wanted to do with it.

22 SENATOR TAFT: Thank you very much.

23 CHAIRMAN MORIN: Certainly, the
24 Congress can constitutionally pass a statute
25 making it a Federal crime within the meaning of

1 the interstate commerce power to transmit gambling
2 information.

3 MR. HOGAN: Absolutely.

4 CHAIRMAN MORIN: So, I suppose
5 listening to the illegal conversations is not
6 unconstitutional.

7 MR. HOGAN: I don't know, sir. If
8 I curse over the telephone, it is unlawful.

9 I am saying, do you want to give up
10 your right of privacy? I don't, to enforce the
11 gambling laws of the United States.

12 CHAIRMAN MORIN: You are talking
13 about constitutionality.

14 MR. HOGAN: Well, as I see it, it
15 is constitutional as of right now because the
16 Supreme Court says it is.

17 CHAIRMAN MORIN: But you don't
18 agree?

19 MR. HOGAN: No, sir.

20 CHAIRMAN MORIN: Incidentally, you
21 say it is a Federal crime to curse on the telephone?

22 MR. HOGAN: Yes, sir.

23 CHAIRMAN MORIN: I was just giving
24 some free legal advice to the Commission (laughter).

25 Dr. Allen is a Councilwoman from

1 Philadelphia.

2 DR. ALLEN: Mr. Hogan, you said in
3 your statement that you believe gambling should be
4 made legal but you can't envision how it can be
5 controlled. Are you advocating the introduction
6 of a system that would cut into your livelihood?

7 MR. HOGAN: Certainly.

8 DR. ALLEN: What do you expressly
9 feel would be the advantage of making gambling legal?

10 MR. HOGAN: Number one, you would
11 save millions and millions of dollars that are
12 spent on man hours, the investigation and prosecution
13 of gambling cases now.

14 You can't envision -- you will by
15 the time you are finished with your investigation --
16 the millions and maybe billions of dollars that
17 the FBI and local law enforcement and the pro-
18 secutors and special Strike Forces spend on the
19 prosecution of gambling cases. And the results --
20 it has been no deterrent.

21 There is as much gambling in
22 volume in the United Statss as there ever was, if
23 not more.

24 There has been no jail time or large
25 jail time given out. I had one client that

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1 received four years in Philadelphia, your district --
2 the man got six months concurrent with what he was
3 doing -- but outside of those two people, generally
4 it is probation or \$1,000.00 or \$5,000.00 fine.

5 DR. ALLEN: On the other hand,
6 aren't you being a little ambiguous when you say
7 that there should be a mandatory minimum sentence
8 of 90 days for the bettor?

9 MR. HOGAN: No, ma'am; that is if
10 you want to stop gambling. I am not in favor of
11 that.

12 I am saying if they really want to
13 stop betting on sporting events, don't go
14 after the bookmaker; just go after the bettor.

15 I don't say that that will ever
16 happen, but if you don't want to be hypocritical
17 about this wagering on sporting events, put the
18 bettor in jail for 90 days and see how many people
19 will call up to make bets after that, especially
20 the so-called people who are -- I don't know
21 exactly how to say it -- lawyers, doctors -- I
22 know I wouldn't make a bet.

23 DR. ALLEN: I am a doctor now.

24 MR. HOGAN: I am sure you wouldn't
25 make a bet.

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1 DR. ALLEN: No, I can't afford it.

2 If you had one specific recommenda-
3 tion to make to this Commission relative to what
4 it should include in its final report and recom-
5 mendation to the Congress, what would that specific
6 recommendation be?

7 MR. HOGAN: That it should abolish
8 the law prohibiting gambling in the United States,
9 making it just like a department store: You
10 license it and let them make their profits, and
11 pay the profit on their income tax.

12 DR. ALLEN: Would that include the
13 abolition of the income tax on gambling winnings?

14 MR. HOGAN: Yes, absolutely. Of
15 course, now you can deduct your losses from your
16 winnings in any one year; but as Great Britain
17 does, if you are going to legalize, you might as
18 well not tax the winnings.

19 If you want to obtain revenue from
20 it, for instance, the breakage in New York now on
21 the O.T.B. is ridiculous. It is an extra five
22 percent on top of the 15 percent that the tracks
23 take out -- although a lot of the bookmakers that
24 I know and horse bettors use O.T.B. to lay off.

25 DR. ALLEN: Thank you very much,

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1 Mr. Hogan.

2 CHAIRMAN MORIN: Mr. Coleman?

3 MR. COLEMAN: Mr. Hogan, two
4 questions: You mentioned one instance of lottery
5 and numbers being involved with organized crime.
6 Do you have any other information in connection
7 with organized crime, numbers as opposed to sports
8 bookmaking?

9 MR. HOGAN: That is the only numbers
10 case I ever had, sir. Generally, it is not a
11 Federal prosecution; it is a State prosecution.

12 MR. COLEMAN: I know you do some
13 State work, but mostly bookmaking?

14 MR. HOGAN: Yes, sir.

15 MR. COLEMAN: We have listened to
16 people, not only from Miami, in the defense bar and
17 local law enforcement, and their views are
18 diametrically opposed, their opinion, that there is
19 no connection or there is a connection with
20 organized crime in bookmaking. How about giving
21 us your opinion?

22 MR. HOGAN: In my report I have
23 named one connection. All I hear is the same as
24 what other people say.

25 MR. COLEMAN: Why in your opinion

1 should there be such an absolute difference in
2 opinion between the defense bar and the prosecution
3 on this issue, if you can give us an opinion?

4 MR. HOGAN: Certainly, one of us is
5 not telling the truth.

6 MR. COLEMAN: Which side?

7 MR. HOGAN: I can only tell you that
8 I am telling the truth (laughter).

9 MR. COLEMAN: We have heard from
10 both sides.

11 MR. HOGAN: As I said, I haven't
12 heard them name one instance in the Southern
13 District of Florida, not one instance.

14 MR. COLEMAN: I just wanted your
15 opinion as to why there should be such violent
16 disagreement on both sides.

17 MR. HOGAN: Maybe it is selective
18 perception.

19 CHAIRMAN MORIN: Miss Marshall?

20 MISS MARSHALL: Thank you very much.

21 Mr. Hogan, as a bettor, could you
22 tell us what you think the odds are on this
23 Commission following your recommendations as to
24 the legalization of gambling?

25 MR. HOGAN: I would say it is off

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1 the board.

2 MISS MARSHALL: You made reference
3 to bookmakers using the New York off-track betting
4 for lay-off purposes. I would like to ask you how
5 extensively do you feel that is being done?

6 MR. HOGAN: I can only talk for the
7 ones that I know, and since Las Vegas recently
8 instituted major sports books in the hotels, where
9 you can bet \$5,000.00 on a horse at a major track,
10 and \$1500.00 or \$2,000.00 on the minor tracks, there
11 is a lot less because the breakage is so much
12 better betting in Las Vegas than it is betting with
13 O.T.B.; but before that, there were quite a few
14 bettors calling people in New York, just to walk
15 into an O.T.B. office and make bets for them,
16 and it was much better before all the mutuels were
17 thrown together.

18 MISS MARSHALL: They were calling
19 people in New York to place bets, by those people
20 calling the O.T.B.?

21 MR. HOGAN: The ones who have credit
22 that can bet over the telephone, none that I know
23 of. They just called what are known as beads to
24 go in and bet for them.

25 MISS MARSHALL: The question that

1 was asked earlier of Mr. Rosen concerning the
2 diversion of gambling revenue into other types of
3 illegal activities, could you implement on that
4 for us?

5 MR. HOGAN: I know of the diversion
6 of gambling revenue from sports bookmaking into
7 legitimate businesses. I don't know of any into
8 illegal business.

9 Certainly, I have never in any
10 contact with any sports bookmakers in the United
11 States had any indication that they would have any-
12 thing to do with narcotics. Narcotics is
13 abhorrent to them.

14 One boy that was arrested in West
15 Palm Beach in the last statewide grand jury had an
16 ounce of marijuana in the house, was indicted for
17 that along with the bookmaking; but these were
18 sports bookmakers, and I see no connection between
19 narcotics and gambling whatsoever.

20 MISS MARSHALL: Have any of your
21 clients ever been the subject of civil injunctive
22 procedures?

23 MR. HOGAN: No.

24 MISS MARSHALL: They have not?

25 MR. HOGAN: No.

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MISS MARSHALL: What effect do you feel that would have vis-a-vis criminal enforcement on a bookmaker?

MR. HOGAN: Well, I just think it is unrealistic. You just fight that like anything else.

MISS MARSHALL: You don't feel it would have more or less of a deterrent effect than criminal enforcement?

MR. HOGAN: No.

MISS MARSHALL: What is that based on?

MR. HOGAN: The only deterrent effect you have on bookmakers is the time they spend in jail. When they get out of jail, they go to the telephone and get a line while they are in an airport getting home from the penitentiary.

You just don't cure bookmakers or gamblers from betting. You might deter bettors, though, just as you might deter lawyers, doctors, or Indian chiefs.

MISS MARSHALL: With all the different Federal judicial districts that you have practiced in, sir, perhaps you could discern for us whether or not you have determined a discrepancy in sentencing between judicial districts, whether

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1 that has had any deterrent effect, particularly.

2 MR. HOGAN: The only discrepancy is
3 with bookmakers who exercise their constitutional
4 rights to go to trial. If they plead guilty,
5 generally they will get a slap on the hand. If
6 they go to trial, they go to the penitentiary.

7 MISS MARSHALL: Is one District
8 more stringent than another on that particular
9 point that you have noticed?

10 MR. HOGAN: Well, since the wiretap
11 laws, you know how much the prosecution involves,
12 how lengthy it is, and Judges, Federal Judges
13 hate wiretap cases because it ties up the Court
14 for such an extensive period of time.

15 So, generally they can make such
16 good deals and it is almost an offer you can't
17 refuse. For instance, a big bookmaker in the
18 Eastern District of Michigan, they took \$170,000.00
19 out of his house in cash when they arrested him,
20 and they indicted him.

21 We made a deal after extensive
22 negotiations and after motion hearings, that
23 he would plead to one count and receive a
24 \$5,000.00 fine and no probation -- because as I
25 told the Judge very honestly, he couldn't take

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1 probation because he is a bookmaker, probably
2 would be a bookmaker taking bets tomorrow.

3 So, he paid a \$5,000.00 fine the same
4 day and everybody was happy, but I don't know
5 that that is justice.

6 MISS MARSHALL: Do you find more
7 selectivity now in the application of Federal
8 gambling statutes?

9 MR. HOGAN: Yes.

10 MISS MARSHALL: To what do you
11 attribute that?

12 MR. HOGAN: Well, I attribute it
13 to the trouble the Strike Force has in prosecuting
14 over the past six years, the Title III cases.

15 MISS MARSHALL: Do you think that
16 they are now being applied more in line with
17 what their legislative intent may have been?

18 MR. HOGAN: No, the legislative
19 intent was that it should be used as a tool of
20 last resort. I have never known a Federal gambling
21 case since Title III has been enacted that was
22 anything but made on a wiretap. None were made
23 by other investigative techniques.

24 MISS MARSHALL: Mr. Hogan, I would
25 like to personally thank you for having helped me

1 a great deal in the past on how not to prosecute
2 a gambling case.

3 MR. HOGAN: I think we have picked
4 them. We have won some and lost some.

5 MISS MARSHALL: Thank you for
6 taking the time to come see us.

7 CHAIRMAN MORIN: Thank you very
8 much, Mr. Hogan. We will take a ten-minute break.

9 (Whereupon, a recess
10 was had from 11:15 to
11 11:25 o'clock a.m.)

12 CHAIRMAN MORIN: Our next witness
13 is Dr. Sanford Berg, who is Professor of Economics
14 at the University of Florida.

15 DR. BERG: I would like to thank
16 you for the opportunity to be here this morning.
17 I am not going to discuss the morality or
18 psychology of gambling. I am appearing as a
19 Public Utility Commission consultant, which is as
20 such and I will take you away from the more
21 gambling aspects of the investigation, detection
22 and prosecution of illegal gambling.

23 This is going to focus on the
24 economic aspects of legal gambling because I feel
25 these are very important. Legal gambling is a

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1 heavily regulated industry and I would like to
2 apply economic knowledge of how regulation is
3 operated in other industries to this one, to aid
4 in the improvement of public policy in the area,
5 in considering additional Federal action in the
6 gambling area.

7 We need to consider five aspects
8 of the State regulatory environment: Prior
9 regulation, the heavy taxation, restricted entry,
10 multiple levels of authority, and the absence of
11 direct consumer considerations.

12 Like electricity, there is prior
13 regulation in the pari-mutuel betting industry,
14 say here in Florida. Some percent of the total
15 handle betted goes to firms and another percent
16 goes to the State. That is where the heavy taxation
17 comes in.

18 The heavy taxation is partly due to
19 moral considerations, presumably. Thus, the rate-
20 of-return regulation of legalized firms is only
21 looked at indirectly, and that is a major concern
22 of mine.

23 The restricted entry is presumably
24 to avoid having gambling establishments in every
25 corner. In Florida, the entry, the limitation is

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1 based on territory rather than population. This
2 brings into question whether this is an efficient
3 way of limiting the number of franchises and also
4 raises the issues as to whether the State is
5 maximizing the revenues that it could be obtaining
6 from a State-created monopoly.

7 The fourth element, multiple of
8 authority, introduces regulatory problems. We have
9 the legislature and the regulatory agencies sharing
10 the responsibilities and the results in conjunction
11 with the fifth element, the absence of direct
12 consumer considerations.

13 In a regulated firm, ability to
14 surface any parts of the business that is in trouble,
15 resulting in beneficial legislation: For example,
16 earmarking increased commissions to purses or
17 promoting racing, and the overall profitability of
18 that concern is not taken into account.

19 Besides these elements of the
20 regulatory environment, we need to consider the
21 current regulatory procedures. Currently, these
22 procedures tend to focus on detecting illegal
23 activity and that is important. I think they have
24 been very successful in this area, but I think
25 additional resources should be devoted to economic

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1 analysis, especially in the returns to the firms
2 versus the returns to the State area.

3 Second, the agencies tend to be
4 passive-reactive. They wait for the firms they are
5 regulating to initiate something rather than
6 taking the initiative themselves. This is typical
7 of all regulated industries.

8 To evaluate some of these points,
9 I would like to briefly survey the pari-mutuel
10 industry in Florida and in this survey, I conclude
11 that the present regulative structure has failed
12 to achieve reasonable economic goals of regulations.

13 This has lessened for the rest of
14 the United States and they should be applied:
15 Specifically, economic rents generated by State-
16 created exclusive territorial franchises accruing
17 to private individuals rather than the State. In
18 addition, vertical integration and persons and
19 other systems of payment will be discussed in
20 terms of the difficulties they present to effective
21 regulation.

22 I would like to stress that effective
23 rate-of-return regulation in improved economic
24 analysis if the State is to maximize necessary
25 revenues from a given number of legalized entities

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1 exclusive territorial areas after the initial
2 enabling legislation, which occurred in the twenties
3 and thirties. These restrictions take the form of a
4 maximum number of licenses in a region or a minimum
5 distance between licenses. Sometimes, the limitation
6 is based on racing days or other indirect ways, but
7 entry is certainly limited.

8 The franchises are granted to
9 prevent destructive competition. This type of
10 competition might be viewed as not being in the public
11 interest. For example, if locate too close together,
12 they would dissipate any monopoly rents that the
13 State could create. Thus, restrictions would protect
14 State revenues as well as prevent the proliferation
15 of pari-mutuel operations.

16 As market conditions have changed
17 over the years, the territorial restrictions have
18 not. This results in an inefficient location and/or
19 number of franchises here in Florida. Thus,
20 protective legislation becomes restrictive on both
21 State revenues, and certainly affect the firms' profits.

22 Some statistical analyses done in
23 a doctoral dissertation at the University of Florida
24 by E. J. Yelton indicate that the determinant of
25

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1 of the handle (the total wager) is population. This
2 is the case for greyhounds, for jai-alai operations
3 in Florida.

4 Since the population has
5 approximately tripled since the minimum mileage
6 requirement formula was passed in 1947, some groups
7 have been able to benefit extraordinarily from this.

8 One possible solution to the
9 problem would be to estimate the population service
10 capacity of a single pari-mutuel facility, and
11 increase the allowed number of licenses on a population
12 basis, with automatic increases resulting as the
13 population growth has occurred; or if one does not
14 want to change the number of licenses the State
15 might allow firms to relocate to the more profitable
16 areas. Putting licenses up for bid might maximize
17 State returns

18 An example of the very high rates
19 to firms the Miami Jai-Alai, where before-tax rates
20 of return on operating assets were 179 percent in
21 1970, and that is just extraordinary. These returns
22 compare with 20 to 30 percent for most industry.
23 So, it seems that the State is not maximizing the
24 contribution of existing franchises to its own
25 revenue.

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1 I view the pari-mutuel tax as the
2 mechanism to transfer to the public treasury the
3 monopoly profits generated by State-created
4 monopolies. The failure to adjust the pari-mutuel
5 tax rate in response to changing conditions in the
6 industry results in some cases in undertaxation,
7 and others in overtaxation.

8 Undertaxation would result in a
9 monopoly profit accruing to private individuals
10 who happen to own the franchises; whereas over-
11 taxation would result in some private subsidy to
12 the private treasury. The usual case is one of
13 undertaxation; because of the profits in the industry,
14 permittees approach the legislative area requesting
15 downward adjustment for the tax rates or other
16 special grants.

17 I would now like to turn to the
18 groups that supply the pari-mutuel industry,
19 because I think this adds to the complications in
20 its regulation. Most firms operating in the industry
21 are relatively small and tightly held. The problem
22 of concealment of profits by distortion is much
23 greater than with a large, widely-held public utility.
24 Not only is there a chance to exaggerate costs, but
25 the potential exists for some vertical and conglomerate

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1 integration which would provide a mechanism for the
2 effective overstatement of the costs, or the
3 funneling of revenues to the not-regulated parts of
4 the firm.

5 Examination of these factor markets
6 reveals some of the potential problems of regulatory
7 benign neglect. Additional study of purses, prices,
8 and bonuses is warranted, due to the potential for
9 abuse. One potential problem in vertical integration
10 is that the facilities transfer the Government-created
11 rents to unregulated parts in the supply market. It
12 is permissible in some States to hold an equity
13 position in a track and run horses at the same track.

14 Now, for tax purposes, owners of
15 a track would prefer to shift income away from the
16 track, which means paying a corporate income tax,
17 and to horse farms where winnings may be partially
18 balanced by creative accounting losses.

19 Vertical integration raises issues
20 about horse ownership, since 45 percent of the
21 Florida thoroughbred costs are in purses, and thus
22 it is a proper concern for State policy as to whether
23 one individual should hold equity positions in both
24 the track and the horses. I think certainly much
25 more economic analysis is warranted in this area.

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1 These observations have some immediate implications
2 for regulatory polich:

3 First, extensive studies are needed
4 on the response in the handle, the total wager, the
5 quality of the performance, and the role of the
6 purse prices and bonuses in getting quality performance;
7 that is, what does it matter that ther are very,
8 very high purses awarded on weekends? Is that what
9 attracts people to the track, or the fact that people
10 have more free time on weekends?

11 Secondly, prudent State policy
12 would monitor closely vertical integration in the
13 industry.

14 Third, earmarking funds for
15 purses is a questionable practice, since such
16 restrictions limit the possibility of adjusting
17 purses downward to reflect changing economic
18 conditions.

19 Fourth, consideration should be
20 given to national coordination, so States could
21 capture a larger snare of the State-created rents if
22 they did not compete with one another for the so-called
23 quality horses.

24 I am going to skip over some more
25 detailed discussions of concessions and salaries

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1 and other returns to capital to focus on the
2 implications of when you have a multi-product
3 franchise; that is, you are not just selling wagers,
4 but you are selling a spectacle, just like every
5 other sport event.

6 In addition, there are concessions,
7 programs, and parking; this complex product package
8 virtually prohibits the assignment of joint costs
9 to individual product lines for purposes of
10 regulating only those lines with socially undesirable
11 or harmful consequences, presumably wagering.

12 Similarly, the enforcement of such
13 a standard would be practically impossible, given
14 the various opportunities for distortion of costs.
15 In effect, when entry into the provision of legalized
16 wagering opportunities is limited by geographical
17 criteria, additional monopoly rents are implicitly
18 granted to the licensee. Therefore, it is imperative
19 to use some aggregate way of measuring the profitability,
20 to analyze the various product lines and all the
21 various opportunities for cost subsidies in order
22 to regulate this industry on an efficient basis.

23 In conclusion, it is interesting
24 to note that where moral considerations play a
25 significant role, either pro or con, economic

1 inequities are obscured. In professional team sports,
2 where athletes are supposed to represent the
3 highest ideals and competition, we are only
4 beginning to be troubled by exclusive agreements,
5 monopolistic and monopsonistic activities, (such
6 as TV blackouts), reserve clauses, tax loopholes,
7 and enormous subsidies to stadiums. The pari-mutuel
8 industry represents the converse moral situation,
9 but economists are only beginning to delve into the
10 issues raised by this industry.

11 State sharing of pari-mutuel revenues
12 began as the racing industry sought shelter from
13 the reform movement. Since this initial involve-
14 ment of the States in the racing business, a body
15 of law and regulation has developed in patchwork
16 fashion.

17 Here, I have indicated that
18 significant disparity exists within and among the
19 three major categories of Florida pari-mutuel
20 operations -- in the dogs, the Jai-Alai pari-mutuels,
21 and the horses. The Florida regulatory agencies have
22 failed to correct this trend towards diverging
23 profitability levels, although various study
24 commissions have identified the problem. This
25 failure of regulation is partly a function of

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1 organization and staff adequacies, and, until recently,
2 a non-uniform accounting and reporting system.

3 However, I believe that regulatory
4 agencies, legislative changes, and economic data
5 exhibit most of the characteristics of an industry
6 that has sought out the regulation and has designed
7 and operated the regulation for itself: for the
8 protection and benefit of the industry, rather
9 than for the taxpayers or the consumers, the bettors.

10 In particular, the industry is
11 characterized by control over entry of new rivals,
12 the exclusion of the consumer from the public forum
13 that establishes prices, and extreme differentials
14 in the relative interest of the regulated few and
15 the general public.

16 To improve the effectiveness of
17 pari-mutuel regulatory structure, several staff
18 and policy changes must be made, particularly with
19 regard to the profitability standard of the
20 industry. The newly-instituted uniform accounting
21 and management reporting system for Florida represents
22 a very good start. We could report the conditions
23 of each firm in the industry relative to some
24 standards, and equitable returns from the various
25 firms would be maintained; but special care should

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1 be given to the share of rents and payments to the
2 different suppliers, whether these be the horse
3 owners or the concessions people.

4 This necessitates the development
5 of staff in quantitative skills to aid in
6 identifying possible problems in factor payments
7 and the multiple product aspect of pari-mutuel
8 betting. Here is where I think a great deal
9 of emphasis ought to be placed: a several-million-
10 dollar State budget in Florida that goes to
11 regulating pari-mutuel betting might be better
12 re-allocated to devote more resources to maximizing
13 the State revenue rather than trying to detect
14 all these little illegal activities at tracks.
15 The States have been very effective at the latter, and
16 I think significant re-allocation of resources
17 would be indicated.

18 With that, I would like to close
19 my testimony and answer questions.

20 CHAIRMAN MORIN: I am going to
21 turn the questioning over to Professor Phillips,
22 who is a colleague of yours, although at Washington
23 and Lee University.

24 DR. PHILLIPS: Mr. Chairman,
25 after sitting in nine of these sittings, I would like

1 to attempt to debate Dr. Berg a little bit, but I
2 will not do that, I assure you.

3 I have two questions, Dr. Berg:
4 Application of the Stigler Theory of regulation
5 suggests that pari-mutuel regulations in Florida
6 have failed to achieve economic goals. Assuming that
7 theory is correct, why is not the logical conclusion
8 simply to deregulate the industry?

9 DR. BERG: I am taking regulation
10 as being likely to continue, given the moral
11 considerations involved, since the State legislature
12 has chosen to regulate it.

13 I have not looked into the
14 deregulation side at all. My concern has been
15 with regulation, and the variables that should be
16 considered. I am here looking at the profitability
17 of some firms, and the ways the State can maximize
18 its revenues from that.

19 DR. PHILLIPS: The basic task of
20 this Commission is to make recommendations to the
21 Congress and the President with respect to a
22 national policy toward gambling. Do you have any
23 thoughts on what that recommendation should be?

24 DR. BERG: I think one recommendation
25 ought to be much more careful economic analysis

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1 of the industry. Apparently a lot of resources are
2 going into the criminal detection area, the
3 illegal activities area, when we do have a large
4 amount of legalized gambling; we should try to
5 analyze whether the States are benefiting as much
6 as they could, given that they are permitting a
7 certain amount of gambling.

8 I would hope that your report
9 stresses that somewhat. I think the economic
10 consequences of this are enormous. For many States
11 you are talking about two percent of the State
12 revenues, and if you can improve that, it takes a
13 tax burden off of the other taxpayers.

14 DR. PHILLIPS: Do you have any
15 thoughts about the legalization of gambling?

16 DR. BERG: No, I have really tried
17 to avoid those moral issues. I am taking a
18 straight-line economic approach to this: For example
19 given limited, and regulated, gambling opportunities,
20 does interstate competition for name horses dissipate
21 the State-created scarcity rents? At present,
22 State-created monopoly rents go to firms, and some
23 of those rents are being captured by horse owners
24 who are threatening to go to this State or that
25 State if the purses are not raised.

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1 Now, if you have State policy to
2 limit gambling and wagering opportunities, then
3 it seems to me som Federal policy that aids the
4 States actually capturing the rents they create
5 would be quite reasonable. We are talking about
6 millions and millions of dollars.

7 DR. PHILLIPS: Thank you, sir.
8 Thank you very much.

9 CHAIRMAN MORIN: Does either Miss
10 Marshall or Mr. Ritchie have any questions?

11 MISS MARSHALL: I have none.

12 CHAIRMAN MORIN: Then, I think
13 that Professor Phillips has the only sufficient
14 knowledge to ask questions of you. We appreciate
15 very much your views and thank you for coming.

16 Our final witness today is Mr.
17 Dan Sullivan, who is president of the Greater
18 Miami Crime Commission. I am happy that you have
19 come, Mr. Sullivan. Thank you very much.

20 MR. SULLIVAN: I am very happy
21 to have the opportunity of appearing before this
22 Commission, and also to be the last, I suppose,
23 listed witness.

24 I will not take too much of your
25 time. I know you have had long sessions here, but

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1 I do want to thank you and express our personal
2 appreciation and that of the Crime Commission of
3 Greater Miami for the opportunity to be here.

4 My name is Daniel P. Sullivan.

5 I am the Executive Vice President of the Crime
6 Commission of Greater Miami. I have been the
7 Operating Head of this Commission since it was
8 founded in 1948. The Commission is a non-official
9 Citizens Organization, which is non-political,
10 non-partisan, and a non-profit body.

11 Our membership is made up of
12 outstanding leaders in the community, including
13 business firms and private citizens who are interested
14 in improving law enforcement, and increasing public
15 respect for the law.

16 The Crime Commission was founded
17 in 1948, to accomplish two primary purposes: To
18 fight gangsterism, and the infiltration of
19 racketeers into Dade County. The Commission has
20 over 400 contributing members. Its policies are
21 set by a board of 60 plus community leaders, both
22 male and female, who established policies,

23 Since its inception, the Crime
24 Commission has continually opposed the extension
25 of legalized gambling. At a meeting of the Crime

1 Commission held last Wednesday, our board of
2 directors voted to publicly re-emphasize our
3 long-time stand against any extension of legalized
4 gambling, and particularly the legalization of
5 gambling casinos.

6 The board commended Governor
7 Askew for his statewide leadership on this question.
8 The board asked for the support of business
9 organizations and citizens, to help us resist
10 legalizing casino gambling.

11 Basis of the Crime Commission
12 opposition are many: Some reasons are as follows:

13 Legalization will attract much of
14 the "Riff Raff" which left Dade County for Nevada,
15 when gambling was closed down in 1950. We were
16 glad to get rid of much of the financial interest
17 and influence -- Anthony "Fat Tony" Salerno,
18 Isadore "Kid Cann" Blumenfeld, Eddie Levenson, and
19 others -- in addition to masses of thieves,
20 embezzlers, prostitutes, loan sharks, confidence
21 men, and others of the criminal element.

22 Since the shut-down of gambling
23 casinos in Dade County over 25 years ago, our
24 economy has thrived. It has become a 12-months-a-
25 year business economy, and our tourists have doubled

1 and redoubled since the casino shut-down.

2 Legalization of casinos would
3 undoubtedly wind up with gangsters and the leaders
4 in organized crime in control of the gambling, as
5 has happened in practically every place where casinos
6 have been legalized, including Nevada, the West Indies
7 and London.

8 Experience has shown that profits
9 from casino operations and money "skimmed" or stolen
10 off the top to evade taxes pours into the hands of
11 the gangster element, to provide financing for
12 crime, to help pay for the corruption of public
13 officials, and to make possible the further
14 infiltration of gangsters into legitimate businesses.

15 The Crime Commission is opposed
16 to legalization of lotteries as legislation in this
17 area of gambling may be even worse than legalization
18 of casinos, because lotteries appeal to the poorest
19 of the poor, in the lowest economic bracket.

20 Off-track betting is a snare and
21 a delusion. It does created a new population of
22 losers. It may increase a State's total revenues,
23 but the revenue will not be a significant source
24 of Government revenue in relation to total revenue.

25 The arguments against off-track

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1 betting are many and evident. Any problem which
2 may now exist in an area, as to bookmakers operating
3 off the track, will be multiplied that much more
4 with the addition of each off-track betting station.

5 We feel that at a period when some
6 communities are facing financial bankruptcy, it is
7 not the time for endorsing and embracing highly
8 dangerous gambling extensions in what could contribute
9 to the moral bankruptcy of our communities.

10 Our Crime Commission speaks for a
11 large segment of our citizens. We sincerely urge
12 that you do not consider federal legislation which
13 might result in the extension of legalized gambling.

14 Thank you.

15 CHAIRMAN MORIN: Did the Crime
16 Commission oppose pari-mutuel racing when it was
17 installed in Florida?

18 MR. SULLIVAN: Our Commission wasn't
19 in existence.

20 CHAIRMAN MORIN: How about jai-alai?

21 MR. SULLIVAN: No, jai-alai was
22 legalized way back in the thirties.

23 CHAIRMAN MORIN: Do you advocate
24 their abolition?

25 MR. SULLIVAN: We have never taken

1 any position excepting to fight any extension of
2 legalized gambling.

3 CHAIRMAN MORIN: Senator Taft?

4 SENATOR TAFT: I don't have any
5 questions.

6 MR. SULLIVAN: Thank you very, very
7 much for giving me the opportunity of coming here.

8 CHAIRMAN MORIN: I want to call
9 your attention to the fact that we have members of the
10 Commission here, I think, from Pennsylvania,
11 Massachusetts, Ohio, all of which have State lotteries.

12 MR. SULLIVAN: I realize that.

13 CHAIRMAN MORIN: Thank you very
14 much for coming. We appreciate your appearance.

15 This concludes the hearings of the
16 Commission in Miami. For your information, there
17 will be one more set of hearings in Ohio in January,
18 and the Commission will then retreat to Washington,
19 D.C. for further hearings in 1976.

20 For the benefit of the press, our
21 interim report will be published in July of 1976. We
22 will conduct hearings on the interim reports. Our
23 final report by statute must be published by October,
24 1976. The Commission goes out of existence
25 automatically 60 days later.

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Thank you.

(Whereupon, the proceedings
were concluded.)

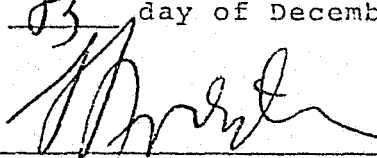
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2 CERTIFICATE OF REPORTER
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4 STATE OF FLORIDA)
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8 I, LAWRENCE S. FRIEDMAN, a Certified
9 Shorthand Reporter for the State of Florida, do
10 hereby certify that the preceding 109 pages
11 constitute a true and correct transcription of my
12 stenographic notes of the proceedings had and
13 testimony taken in the foregoing matter, heard
14 before Charles H. Morin, in the City of Miami,
15 County of Dade, State of Florida.

16 Dated this 23 day of December, 1975..
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