

POLICE DEPARTMENT
CITY AND COUNTY OF HONOLULU

801 SOUTH BERETANIA STREET • HONOLULU, HAWAII 96813
TELEPHONE: (808) 529-3111 • INTERNET: www.honolulu-pd.org

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DEPUTY CHIEFS

OUR REFERENCE **JI-TA**

February 8, 2013

The Honorable Karl Rhoads, Chair
and Members
Committee on Judiciary
State House of Representatives
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

Dear Chair Rhoads and Members:

Subject: House Bill No. 343, Relating to Gambling Offenses

I am Jerry Inouye, Captain of the Narcotics/Vice Division of the Honolulu Police Department, City and County of Honolulu.

The Honolulu Police Department supports House Bill No. 343, Relating to Gambling Offenses.

Over the last several years, new gambling devices have arrived in Hawaii. The manufacturers use gimmicks to claim these "sweepstakes" machines are legal when in fact they violate current gambling statutes.

Although we believe that the current statutes adequately address this latest generation of gambling machines, we are sensitive to the sophistication of these machines and to the lengths manufacturers are willing to take in an effort to circumvent our current gambling laws.

We suggest that the only change to the current gambling statute be to amend the definition of "something of value" to include "any entries, credits, or play points that extend or permit the privilege of playing a game of chance without charge."

The Honorable Karl Rhoads, Chair
and Members
Page 2
February 8, 2013

Therefore, lines 17 to 21 on page 3 and lines 1 and 2 on page 4 would be amended to read as follows:

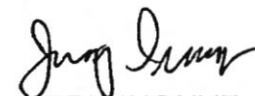
"Something of value" means any money or property, any token, object, or article exchangeable for money or property, or any purchase of an item or service which entitled a person to participate in a gambling scheme or use a gambling device, or any entries, credits, or play points that extend or permit the privilege of playing a game of chance without charge, or any form of credit or promise directly or indirectly contemplating transfer of money or property or of any interest therein, or involving extension of a service or entertainment."

This would serve to ensure that businesses and the general public do not fall prey to those promoting the sale and use of such gambling devices.

The Honolulu Police Department urges you to support House Bill No. 343, Relating to Gambling Offenses.

Thank you for the opportunity to testify.

Sincerely,



JERRY INOUE, Captain
Narcotics/Vice Division

APPROVED:



LOUIS M. KEALOHA
Chief of Police



ALAN M. ARAKAWA
MAYOR

OUR REFERENCE

YOUR REFERENCE

POLICE DEPARTMENT

COUNTY OF MAUI

55 MAHALANI STREET
WAILUKU, HAWAII 96793
(808) 244-6400
FAX (808) 244-6411

January 30, 2013



GARY A. YABUTA
CHIEF OF POLICE

CLAYTON N.Y.W. TOM
DEPUTY CHIEF OF POLICE

The Honorable Karl Rhoads, Chair
And Members of the Committee on Judiciary
House of Representatives
State Capitol
Honolulu, Hawaii 96813

RE: House Bill No. 343, RELATING TO GAMBLING OFFENSES.

Dear Chair Rhoads and Members of the Committee:

The Maui Police Department supports the passage of H.B. No. 343.

The passage of this bill amends definitions in the gambling laws to address gambling activities offered incident to the purchase of goods or services.

The Maui Police Department supports the clarification in addressing gambling activities offered incident to the purchase of goods or services as it will clarify ambiguities currently in the law.

The Maui Police Department asks that you support the passage of H.B. No. 343.

Thank you for the opportunity to testify.

Sincerely,

GARY A. YABUTA *mv.*
Chief of Police

Hawai'i Coalition Against Legalized Gambling

1124 Fort Street Mall, Suite 209
Honolulu, HI 96813

COMMITTEE ON JUDICIARY

Representative Karl Rhoads, Chair

Representative Sharon E. Har, Vice Chair

Friday, February 8, 2013, 2:00 p.m., Conference Room 325

Member Organizations

Advocates for Consumer Rights
Animal Rights Hawaii
Buddhist Peace Fellowship
Christian Voice of Hawaii
Church of Jesus Christ of Latter-day Saints
Church of Perfect Liberty
Common Cause Hawaii
Disciples of Christ
Hale Kipa
Hawaii Appleseed Center for Law & Economic Justice
Hawaii Assemblies of God
Hawaii Association of International Buddhists
Hawaii Christian Coalition
Hawaii Conference of Seventh-day Adventists
Hawaii Conference of the United Church of Christ (UCC)
Hawaii District United Methodist Church
Hawaii Family Forum
Hawaii Pacific Baptist Convention
Hawaii Rainbow Coalition
Hawaii Religions for Peace
Hawaii Youth Services Network
Honolulu Friends Meeting (Quakers)
Honolulu Police Department
Institute for Religion and Social Change
The Interfaith Alliance Hawaii
Kokua Council
League of Women Voters of Hawaii
Life of the Land (Hawaii)
Dr. Martin Luther King, Jr. Coalition Hawaii
Mestizo Association
Muslim Association & Islamic Center of Hawaii
Pacific Gateway Center
Presbytery of the Pacific
Saints Constantine & Helen Greek Orthodox Church
Smart Business Hawaii
Soto Zen Mission of Hawaii
Temple Emanu-El
Windward Coalition of Churches
The Woman's Board of Missions for the Pacific Islands (UCC)

Cooperating Organizations

Catholic Charities Hawaii
Catholic Diocese of Honolulu
Chamber of Commerce of Honolulu
Hawaii Bankers Association
Hawaii Business Roundtable
Hawaiian Humane Society
Hawaii State PTSA

My name is Tom Kay. I am legal counsel for the Hawaii Coalition Against Legalized Gambling. HCALG is in favor of HB 343 which amends section 712-1220, Hawaii Revised Statutes to make clear that sweepstakes gambling using computers or electronic machines is illegal under Hawaii law.

In addition to the amendments to section 712-1220 set forth in HB343, which are excellent, we propose that this section be further strengthened by several additional amendments found in other pending 2013 sweepstakes House bills as follows:

1. Following the word "influence" in HB 343 page 2 line 9 add:
including an outcome that has already been determined or an event that has already occurred but the outcome or occurrence is unknown to the person. (see HB685 page 5 line 18 and HB 613 page 3 lines 12 to 14)
This amendment is to counter the argument that if the outcome is already known to the arcade or café operator, the requirement of "chance" is missing.
2. Following the word "manner" in HB 343 page 3 line 13 add:
and whether the discharge of the prize can be determined either at the beginning or at the end of play (see HB 685 page 7 lines 14 through 17 and HB 123 page 3 lines 16 through 18)
This amendment is to counter the argument that no real gambling is taking place because the player can push an "instant reveal" button.
3. Following the word "entertainment" in HB 343 page 4 line 2 add:
The term includes a sweepstakes ticket or other item that entitles the holder to a share or chance in a sweepstakes, whether the ticket or other item is obtained in conjunction with the purchase of goods or services or provided at no cost in limited quantities pursuant to the terms of the sweepstakes (see HB 123 page 5 lines 16 to 18 and HB 685 page 10 lines 2 and 3)
The purpose of this amendment is to refute the argument that there is no gambling if free play is offered because nothing of value is being paid. Products Direct sweepstakes terminals used at Winner's Zone arcades and other establishments offered free play, but to obtain it a person had to write a request by hand on a small card, put it in an envelope, and mail it to Products Direct headquarters. This method was seldom used because of the difficult restrictions to obtain free play.

We respectfully request that the Judiciary Committee consider the above amendments to eliminate legal arguments being used by the proponents of illegal sweepstakes gambling.



Board of Directors

David Derauf, M.D.
Marc Fleischaker, Esq.
Naomi C. Fujimoto, Esq.
Patrick Gardner, Esq.
Francis T. O'Brien, Esq.
David J. Reber, Esq.

Executive Director

Victor Geminiani, Esq.

Date: February 7, 2013

To: Representative Karl Rhoads, House Committee on Judiciary Chair

From: Gavin Thornton, Deputy Director
Hawai'i Appleseed Center for Law and Economic Justice

Re: Testimony in support of HB343
Scheduled for a hearing on February 8, 2013

Dear Chair Rhoads and committee members;

Thank you for an opportunity to testify in support of HB343, which would ensure that slot machine-like gambling devices are not permitted in Hawai'i. The Hawai'i Appleseed Center for Law and Economic Justice advocates on behalf of low-income people in Hawai'i to help them gain access to the resources, services, and fair treatment that they need to realize their opportunities for self-achievement and economic security.

Hawai'i Appleseed has reviewed a wealth of studies regarding the effects of gambling, and we have completed a report that analyzes the likely impact of the introduction of gambling to Hawai'i.¹ The report concludes that legalized gambling would be harmful to Hawai'i for a host of reasons, including the following:

- Gambling has a disproportionate negative impact on low-income people, who spend higher percentages of their income on gambling than other segments of the population.
- Gambling establishments have been empirically shown to increase the rates of serious crime including rape, robbery, aggravated assault, burglary, larceny, and auto theft.
- The introduction of gambling cannibalizes existing, healthy businesses, funneling money that would have otherwise been spent on goods and services that help to bolster our economy into slot machines.
- The presence of gambling tends to increase problem or pathological gambling, which is associated with a variety of social problems including job loss, substance abuse, divorce, child abuse and neglect, domestic violence, and homelessness.

Because of these problems and others, Hawai'i does not allow any form of gambling, and the legislature has repeatedly rejected efforts to legalize gambling. Unable to legitimize gambling through the legislative process,

¹ The full report, *Gambling With Paradise*, which includes citations to the many studies supporting our conclusions, is available at <http://hiappleseed.org/gambling-paradise>.

those who are interested in spreading gambling to our state are trying to exploit what they believe to be a loophole in Hawai'i's anti-gambling law in order to introduce slot machines here. HB343 seals up that potential loophole, and ensures that Hawai'i remains free of gambling and its terrible side-effects.

Again, thank you for providing us with an opportunity to testify in support of HB343.

Aloha,

A handwritten signature in black ink, appearing to read 'G. Thornton', with a long horizontal flourish extending to the right.

Gavin Thornton
Deputy Director



Email to: JUDTestimony@Capitol.hawaii.gov
Hearing on: Friday, February 8, 2013 @ 2:00 p.m.
Conference Room #325

DATE: February 7, 2013

TO: House Committee on Judiciary
Rep. Karl Rhoads, Chair
Rep. Sharon Har, Vice Chair

FROM: Eva Andrade, Executive Director

RE: Support for HB 343 Relating to Gambling Offenses

Mahalo for the opportunity to testify in support of this measure. I am Eva Andrade, **representing the Hawaii Family Forum**. Hawaii Family Forum is a non-profit, pro-family education organization committed to preserving and strengthening families in Hawaii, representing a network of various Christian Churches and various faith groups. We support this bill that would amend the definitions in gambling activities on machines that offer payouts.

As you know, Hawaii Family Forum has been consistently opposed to any form of legalized gambling in the state. We remain proud that Hawaii is among only two States (Utah is the other one) in the nation where all forms of gambling remain illegal.

We support this particular measure because we want to ensure promotion of gameplay on machines that offer payouts are clearly classified as gambling so there is no confusion in establishments that promote these illegal activities.

Mahalo for the opportunity to testify.



HAWAII CATHOLIC CONFERENCE

6301 Pali Highway
Kaneohe, HI 96744-5224

ONLINE SUBMITTAL

Hearing on Friday, February 8, 2013 @ 2:00 p.m.
Conference Room #325

DATE: February 7, 2013

TO: House Committee on Judiciary
Rep. Karl Rhoads, Chair
Rep. Sharon Har, Vice Chair

FROM: Walter Yoshimitsu

RE: Support for HB 343 Relating to Gambling Offenses

I am Walter Yoshimitsu, representing the Hawaii Catholic Conference. The Hawaii Catholic Conference is the public policy voice for the Roman Catholic Church in the State of Hawaii under the leadership of Bishop Larry Silva. We support this bill that amends definitions in the gambling laws to address gambling activities offered incident to the purchase of goods or services.

Our understanding is that there are establishments here in Hawaii that allow gameplay on machines that offer some form of payout and then make the claim that this is not a form of electronic gambling. We support this bill because we want to make clear that utilizing any form of electronic means, including a computer for sweepstakes, is illegal. We do, however, leave the language of the law to the legal community.

Mahalo for the opportunity to testify.

Hawai'i Coalition Against Legalized Gambling

1124 Fort Street Mall, Suite 209
Honolulu, HI 96813

Member Organizations

Advocates for Consumer Rights
Animal Rights Hawaii
Buddhist Peace Fellowship
Christian Voice of Hawaii
Church of Jesus Christ of Latter-day Saints
Church of Perfect Liberty
Common Cause Hawaii
Disciples of Christ
Hale Kipa
Hawaii Appleseed Center
for Law & Economic Justice
Hawaii Assemblies of God
Hawaii Association of
International Buddhists
Hawaii Christian Coalition
Hawaii Conference of Seventh-day
Adventists
Hawaii Conference of the United
Church of Christ (UCC)
Hawaii District United Methodist
Church
Hawaii Family Forum
Hawaii Pacific Baptist Convention
Hawaii Rainbow Coalition
Hawaii Religions for Peace
Hawaii Youth Services Network
Honolulu Friends Meeting
(Quakers)
Honolulu Police Department
Institute for Religion and Social
Change
The Interfaith Alliance Hawaii
Kokua Council
League of Women Voters of Hawaii
Life of the Land (Hawaii)
Dr. Martin Luther King, Jr.
Coalition Hawaii
Mestizo Association
Muslim Association & Islamic
Center of Hawaii
Pacific Gateway Center
Presbytery of the Pacific
Saints Constantine & Helen Greek
Orthodox Church
Smart Business Hawaii
Soto Zen Mission of Hawaii
Temple Emanu-El
Windward Coalition of Churches
The Woman's Board of Missions
for the Pacific Islands (UCC)

Cooperating Organizations

Catholic Charities Hawaii
Catholic Diocese of Honolulu
Chamber of Commerce of Honolulu
Hawaii Bankers Association
Hawaii Business Roundtable
Hawaiian Humane Society
Hawaii State PTSA

COMMITTEE ON JUDICIARY

Representative Karl Rhoads, Chair

Representative Sharon E. Har, Vice Chair

Friday, February 8, 2013, 2:00 p.m., Conference Room 325

My name is Tom Kay. I am legal counsel for the Hawaii Coalition Against Legalized Gambling. HCALG is in favor of HB 343 which amends section 712-1220, Hawaii Revised Statutes to make clear that sweepstakes gambling using computers or electronic machines is illegal under Hawaii law.

In addition to the amendments to section 712-1220 set forth in HB343, which are excellent, we propose that this section be further strengthened by several additional amendments found in other pending 2013 sweepstakes House bills as follows:

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including an outcome that has already been determined or an event that has already occurred but the outcome or occurrence is unknown to the person (see HB685 page 5 line 18 and HB 613 page 3 lines 12 to 14)
This amendment is to counter the argument that if the outcome is already known to the arcade or café operator, the requirement of "chance" is missing.
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This amendment is to counter the argument that no real gambling is taking place if the player can push an "instant reveal" button before playing which indicates whether the player has won and the amount.
3. Following the word "entertainment" in HB 343 page 4 line 2 add:
The term includes a sweepstakes ticket or other item that entitles the holder to a share or chance in a sweepstakes, whether the ticket or other item is obtained in conjunction with the purchase of goods or services or provided at no cost in limited quantities pursuant to the terms of the sweepstakes (see HB 123 page 5 lines 16 to 18 and HB 685 page 10 lines 2 and 3)
The purpose of this amendment is to refute the argument that there is no gambling if free play is offered because nothing of value is being paid. Products Direct sweepstakes terminals used at Winner's Zone arcades and other establishments offered free play, but to obtain it a person had to write a request by hand on a small card, put it in an envelope, and mail it to Products Direct headquarters. This method was seldom used because of the difficult restrictions to obtain free play.

We respectfully request that the Judiciary Committee consider the above amendments to eliminate legal arguments being used by the proponents of illegal sweepstakes gambling.

Testimony for HB 343 Relating to
Committee on Judiciary Gambling
Fri Feb 8
2pm Conf Rm 325
Statement of John Warren Kindt*

Mr. Speaker of the House and Honorable Committee Chairs, Members of the General Assembly, and Administrative Officials:

The issues and concomitant recommendations which this analysis addresses in summary format include:

- a. a summary of relevant conclusions of the U.S. National Gambling Impact Study Commission (sponsored by U.S. Senator Paul Simon);
- b. limits on numbers of electronic gambling devices (EGDs)/slot machines which constitute 80%-90% of casino net revenues;
 1. state limits (casino monopolies vs. consumer businesses),
 2. state prohibitions of casinos,
 3. state ownership of casinos,
- c. the "Untouchables"*** Standard: New crime caused by increased gambling, up 8% per year; and
- d. the new taxpayer costs caused by increased gambling.

*Professor of Business & Legal Policy, Univ. Ill.; A.B. 1972, William & Mary; J.D. 1976, MBA 1977, Univ. Ga.; LL.M. 1978, SJD 1981, Univ. Va. (for ident. purposes only). Professor Kindt's own academic publications are referenced in this analysis only to provide introductions to the hundreds of source materials cited in the footnotes and to facilitate researchers wishing to reference specialized topic areas. Portions of this statement were excerpted from: *Internet Gambling Prohibition Act of 2006: Hearing Before the Subcomm. on Crime, Terrorism, and Homeland Security of the House Comm. on the Judiciary*, 109th Cong., 2d Sess. 20, et seq. (2006) (prepared statement of Prof. John W. Kindt, Univ. Ill.); Statement of Prof. John W. Kindt, Univ. Ill., Hearing Before the Mo. Joint Legislative Comm. on Gambling, Jefferson City, Mo., Nov. 22, 2005.

***"The Untouchables"™, Reg. & Copyright, Paramount Pictures, Inc.

Contact: Prof. John Warren Kindt
University of Illinois
Box One, Wohlers Hall
Champaign, IL 61820
(217) 333-6018

*A. The U.S. National Gambling Impact Study Commission, sponsored by
U.S. Senators Paul Simon and Richard Lugar, concluded:*

1. There should be a moratorium on the expansion of any type of gambling anywhere in the United States (introduction);
2. States "should cease and rollback" (i.e., recriminalize) existing electronic gambling devices (EGDs)/slot machines convenient to the public (recommendation 3.6); and
3. States should not introduce EGDs/slot machines to racetracks to try and revitalize them (recommendation 3.12).

NAT'L GAMBLING IMPACT STUDY COMM'N, FINAL REPORT recommendations (June 1999) [hereinafter NGISC FINAL REPORT], at <http://govinfo.library.unt.edu/ngisc>.

The "impact statements" or "benefit/benefit statements" often utilized by pro-gambling interests are invalid for statewide decision-making. "Costs/benefits statements" are the proper methodological vehicles for valid decision-making. Proposals for expanded gambling consistently fail academic costs/benefits analyses. EARL L. GRINOLS, *GAMBLING IN AMERICA: COSTS AND BENEFITS* (Cambridge Univ. Press 2004) [hereinafter *GAMBLING IN AMERICA: COSTS AND BENEFITS*].

*B. State Ownership of Casinos, Prohibition of Casinos,
Limited Slot Machines for Casinos
(Casino Monopolies vs. Consumer Businesses)*

Basic economic principles dictate that casino-style gambling cannibalizes the consumer economy. *See generally*, Nobel Prize Laureate in Economics, Paul Samuelson: PAUL A. SAMUELSON & WILLIAM D. NORDHAUS, *ECONOMICS* 208-09 (17th ed. 2001); PAUL SAMUELSON, *ECONOMICS* 398 (11th ed. 1980). *See also*, John W. Kindt & John K. Palchak, *Legalized Gambling's Destabilization of U.S. Financial Institutions and the Banking Industry: Issues in Bankruptcy, Credit, and Social Norm Production*, 19 EMORY U. BANKRUPTCY DEV. J. 21-69 (2002) (lead article).

States which have no gambling or extremely-limited gambling have better consumer economies and tax revenues than states with multiple gambling mechanisms. *See, e.g.*, John W. Kindt, *Diminishing or Negating The Multiplier Effect: The Transfer of Consumer Dollars to Legalized Gambling: Should a Negative Socio-Economic "Crime Multiplier" be Included in Gambling Cost/Benefit Analyses?*, 2003 MICH. ST. DCL L. REV. 281-313 (2003) (lead article) [hereinafter *Gambling's Crime Multiplier Effect*].

These business-economic principles have been exemplified by Utah and its former Governor Mike Leavitt. For years, Governor Leavitt marketed his state specifically as a "nongambling state" and therefore, as a prime location for high-tech and Fortune 500 Companies. He attributed the state's generally nation-leading statistics in new job creation and personal income growth to being a "nongambling state." John W. Kindt, *The Negative Impacts of Legalized Gambling on Businesses*, 4 U. MIAMI BUS. L.J. 93, 121-22 (1994) (lead article).

The value of each casino license is generally between \$250 million and \$500 million. *See*, JEFFREY HOOKE, MARYLAND TAX EDUC. FOUNDATION, *ARE THE LICENSE FEES TOO LOW?* (Feb. 11, 2003) [hereinafter *TAX FEES TOO LOW*]. States which received less than these amounts short-changed the state taxpayers (such as Illinois which charged \$25,000 plus minimal background fees). *TAX FEES TOO LOW, infra*.

Each EGD/slot machine averages a \$100,000 per year net win to the gambling facility. Except for some state/local tax revenues and some local expenditures, most of these dollars leave the state and regional economies. With a typical consumer economic multiplier of "three," this \$100,000 translates into \$300,000 in lost consumer spending (or approximately one "lost job" per EGD/slot machine). For in-depth analyses of lost jobs in Illinois, see *National Gambling Impact & Policy Commission Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 1st Sess. 370-405 (1995) (prepared statement of Econ. Prof. Earl L. Grinols, Univ. Ill.) [hereinafter *Cong. Hearing 1995 on Gambling*]; Earl L. Grinols, *Bluff Or Winning Hand? Riverboat Gambling and Regional Employment and Unemployment*, 51 ILL. BUS. REV. 8, *et seq.* (1994) [hereinafter *Regional Employment and Unemployment*].

This lost consumer spending also translates into concomitant losses in sales taxes and other consumer-oriented tax revenues. These consumer losses combined with the 3:1 cost/benefit ratio for socioeconomic costs/revenue benefits has led jurisdictions (such as Canada) to own the casinos and thus retain all of the gambling dollars leaving the jurisdiction. In the sample case of Illinois, state ownership of the casinos would mean an extra \$1 billion less to the casino owners and \$1 billion more in tax revenues to Illinois. It should be noted, however, that the socioeconomic costs to the public would still outweigh the overall new revenues. Earl L. Grinols & David B. Mustard, *Business Profitability versus Social Profitability: Evaluating Industries with Externalities—The Case of Casinos*, 22 *MANAGERIAL & DECISION ECON.* 143, tables (2001) [hereinafter *The Costs of Casinos*]. The 3:1 cost/benefit ratio has been the ratio for many years. Compare, Statement of Professor John Warren Kindt, *The National Impact of Casino Gambling Proliferation: Hearing Before the House Comm. on Small Business*, 103d Cong., 2d Sess. 77-81 & nn. 9, 12 (1994), with *Congressional Hearing 2005, infra*.

After hearing these points made by experts on March 17, 2005, the State Government Administration Committee of the Illinois House favorably reported H.B. 1920 to the House for a vote to recriminalize Illinois casinos. The Committee vote was unanimous except for one dissenting vote. On October 27, 2005, the Illinois House of Representatives voted 67 to 42 (with 7 voting present) in favor of H.B. 1920, which then went to the Senate where the Senate leadership would not permit a vote.

**C. "The Untouchables" Standard:
New Crime Caused by Increased Gambling: Up 8% Per Year**

Even with the best efforts of law enforcement, the regulatory history of casinos has been problematic. John W. Kindt, *The Failure to Regulate the Gambling Industry Effectively: Incentives for Perpetual Non-Compliance*, 27 S. ILL. U.L.J. 221-62 (2002) (lead article) [hereinafter *Failure to Regulate Gambling*]. See also, John W. Kindt, *U.S. National Security and the Strategic Economic Base: The Business/Economic Impacts of Legalized Gambling Activities*, 39 ST. LOUIS U.L.J. 567-84 (1995), reprinted in, *National Gambling Impact & Policy Comm'n Act: Hearing on H.R. 497 Before the House Comm. on the Judiciary*, 104th Cong., 1st Sess. (1995) [hereinafter *Cong. Hearing 1995 on Gambling*].

While pro-gambling interests traditionally argued that legalizing gambling would eliminate criminal elements associated with gambling, Congressional testimony by former organized crime member William Jahoda and by regulatory experts delimited that legalized casino gambling increases not only the base numbers of criminals, but also the opportunities for criminal elements. Statement and Testimony of William Jahoda, *Congressional Hearing 1995 on Gambling, infra*, at 60-89. See also, Statement of Mass. Attorney General Scott Harshbarger, *Congressional Hearing 1995 on Gambling, infra*. See generally, PRESIDENT'S COMM'N ON ORGANIZED CRIME, ORGANIZED CRIME AND GAMBLING (Hearing VII, N.Y., N.Y., June 24-26, 1985) (Chair, Irving R. Kaufman).

The proportionally largest FBI Fugitive Apprehension Program is not in New York City or Los Angeles, but in Las Vegas, Nevada. The results reported by the FBI Fugitive Apprehension Program constitute substantial support for the proposition that casino-style gambling actually attracts criminals.

In their 35-mile and 50-mile "feeder markets," the presence of casino-style gambling (which generally consists of 80 percent to 90 percent revenues from EGDs/slots) has been directly linked to crime increases of 8 percent on average—the third year after the gambling is legalized and initiated, and with continuing crime increases thereafter. Earl Grinols & David B. Mustard, *Casinos, Crime and Community Costs*, 88 REV. ECON. & STATISTICS 28, *et seq.* (© Harvard & Mass. Inst. Tech. 2006) [hereinafter *Casinos Crime Costs*].

Due to the many problematic regulatory areas associated with casino-style gambling and EGDs/slots, the most effective regulatory mechanisms are those directly monitored by state police. Alternative regulatory mechanisms have been historically less effective and even ineffectively corrupt, because the large cash amounts generated by casino-style gambling have catalyzed conflicts of interest by Gaming Boards and other regulatory organizations. See generally, *Cong. Hearing 1995 on Gambling, infra*; *Failure to Regulate Gambling, infra*.

Independent regulatory and academic guidance are essential. For complaints and examples of intimidation tactics utilized by pro-gambling interests against legislators, academics, and even the Chair of the Congressional National Gambling Impact Study

Commission, see John W. Kindt, *The Gambling Industry and Academic Research: Have Gambling Monies Tainted the Research Environment?*, 13 *UNIV. S. CALIF. INTERDISCIPLINARY L.J.* 1-47 (2003) (lead article).

Legislative hearings also need to be held on the "fairness" of the electronic gambling devices and slot machines. See, e.g., John W. Kindt, *"The Insiders" for Gambling Lawsuits: Are the Games "Fair" and Will Casinos and Gambling Facilities Be Easy Targets for Blueprints for RICO and Other Causes of Action?*, 55 *MERCER L. REV.* 529-93 (2004) (lead article); John W. Kindt, *Subpoenaing Information from the Gambling Industry: Will the Discovery Process in Civil Lawsuits Reveal Hidden Violations Including the Racketeer Influenced and Corrupt Organizations Act?*, 82 *OREGON L. REV.* 221-94 (2003) (lead article).

Fortune 500 Companies are not naïve. They avoid casino-gambling and EGDs/slots jurisdictions—just like they avoid high-crime areas. All states need thorough independent academic costs/benefits studies (not "impact" studies) before introducing or expanding legalized gambling activities to various venues.

D. The New Taxpayer Costs Caused by Increased Gambling

Increasing the numbers of EGDs/slot machines, as well as increasing the speed of the gambling, fuels the addictive behavior which leads people to gambling activities evincing the 10 problematic diagnostic criteria. AM. PSYCHIATRIC ASS'N, DIAGNOSTIC AND STATISTICAL MANUAL OF MENTAL DISORDERS, 615-18, sec. 312.31 (4th ed. 1994) (satisfying 5 or more criteria defines a pathological gambler). See also, NGISC FINAL REPORT, *infra*, at chapt. 4.

The faster people can gamble, the faster gamblers will get "hooked," and this phenomenon is substantiated by studies demonstrating that pathological and problem gamblers gravitate toward the faster methods of gambling (*i.e.* EGDs) as evidenced by the high percentages of revenues EGDs generate from pathological and problem gamblers. See, *e.g.*, Henry R. Lesieur, *Gambling: Socioeconomic Impacts and Public Policy: Costs and Treatment of Pathological Gambling*, 556 ANNALS AM. ACAD. POL. & SOC. SCI. 153, 165 table 1 (1998); Prof. Henry R. Lesieur, Address at the National Conference on Gambling Behavior (Sept. 3-5, 1996). See also, S.C. Gwynne, *How Casinos Hook You: The Gambling Industry is Creating High-Tech Databases to Reel in Compulsive Players*, TIME, Nov. 17, 1997, at 68, 69.

Since 1994, it has been established that the socioeconomic costs are at least \$3 for every \$1 in benefits/revenues. *The Costs of Casinos, infra*, 143, tables.

Clinicians dealing with pathological (addicted) gamblers are too frequently unfamiliar with these academic determinations and studies.

In their casino-enabling legislation, states other than Missouri were misled by pro-gambling interests when those states neglected to include legislated "loss limits." The socioeconomic impacts generated by "loss limits" are effective in reducing the speed and processes by which new pathological and problem gamblers are created. See, *e.g.*, Frank L. Quinn, *First Do No Harm: What Could Be Done By Casinos to Limit Pathological Gamblers*, 22 MANAGERIAL & DEC. ECON. 133-42 (2001) [hereinafter *First Do No Harm*].

These scenarios have encouraged states, and specifically Illinois, to advance legislation to recriminalize casino gambling and to transform gambling facilities into educational and high-tech facilities—as has already occurred in Omaha, Nebraska. See, Illinois House Bill 1920 (passed House 67 to 42, 7 voting present, Oct. 27, 2005), no vote allowed in Illinois Senate, Jan. 2006. The U.S. Congress has noted these educational alternatives to casinos. See, *e.g.*, Testimony of Professor John Warren Kindt, Univ. Ill., Before the U.S. House of Representatives Comm. on Resources, 109th Cong. 1st Sess., Apr. 27, 2005 [hereinafter *Congressional Hearing 2005*]. See generally, John W. Kindt, *Would Re-Criminalizing U.S. Gambling Pump-Prime the Economy and Could U.S. Gambling Facilities Be Transformed into Educational and High-Tech Facilities? Will the Legal Discovery of Gambling Companies' Secrets Confirm Research Issues?*, 8 STANFORD J.L., BUS. & FIN. 169-212 (2003) (lead article).

har2-Vincent

From: Polynikes [ckk_2001@yahoo.com]
Sent: Thursday, February 07, 2013 9:16 PM
To: JUDtestimony; Rep. Karl Rhoads
Subject: HB 343

To: Committee on Judiciary
Representative Karl Rhoads, Chair

In Opposition to HB 343

There are a number of tax paying businesses that employ numerous people that will be negatively impacted by this bill. The video sweepstakes industry provides entertainment and promotes local businesses and the sale of bona fide products. Many companies today rely upon promotional sweepstakes in various formats and HB 343 will raise questions about the entire sweepstakes industry. HB 343 will hurt an industry that is providing much needed marketing and promotion for local businesses unable to afford more expensive forms of advertising. Thank you for your consideration and attention on this matter.

Clarence Kekina

har2-Vincent

From: Lucky touch7 [sweepstakeshawaiig@gmail.com]
Sent: Thursday, February 07, 2013 7:37 PM
To: JUDtestimony
Subject: I oppose HB 343

To whom it may concern,

I own and manage a total of 6 sweepstakes locations here on Oahu along with my business partner we are very blessed and fortunate to provide opportunity for 30 families to earn income. Our goal is to not only provide for our employees but to also be able to pay our rent at these 6 locations, pay for our electric, cable, security system, water, trash, vending, supplies, gas and of course our taxes. Not only as a business owner do we pay our GE, State and Federal but we also put ourselves on payroll which means we and our employees pay our taxes. Besides the positives that we do for ourselves, employees and everyone else the income provides we also provide entertainment of course. Some people go to bars for entertainment, in my opinion that is a bad thing the reason I feel that way is first I would have to earn money to pay for something that taste bad, not good for my body and when I leave the bar and drive home I might get a DUI or worst kill somebody on accident not good, but people go to bars for relaxation, socializing etc, Atleast with us they can socialize, relax have fun and maybe get lucky and win a few dollars. I`m just saying. There are many examples that I can give but in the 20 months that we have been in business I have only seen positive from the people who come to our locations and the employees that earn income to feed their families. Please take this into consideration. If I can be of any assistance please call me at 450-5979 thank you very much.

Aloha,
Gene Simeona

har2-Vincent

From: heejin lee [kara2310@gmail.com]
Sent: Thursday, February 07, 2013 5:50 PM
To: Rep. Karl Rhoads; JUDtestimony
Subject: Opposition to HB343

Rep. Karl Rhoads, Chair

Rep. Sharon E. Har, Vice Chair

Committee on Judiciary

Friday, February 8, 2013, 2pm, Conference Room 325

Opposition to HB 343, Relating to Gambling Offenses

To whom It may concern,

My name is Kyeong S. Kim; I respectfully oppose the passage of HB343. I am a partner in a company that distributes the Products Direct Sweepstakes terminals here in Hawaii. This company allows me to be self sustaining, and able to provide for my family. I am a tax paying citizen of the State of Hawaii. I got started in this business because the operation of the Products Direct Sweepstakes terminals appeared to comply with the existing Statutes in the State of Hawaii. I have made substantial investments in both time and money to make my business thrive.

Thank you for allowing me to submit my testimony.

Kyeong S Kim

har2-Vincent

From: Soon Yun [syhawaii@gmail.com]
Sent: Thursday, February 07, 2013 11:31 PM
To: JUDtestimony
Subject: HB343 Testimony

To whom it may concern,

I am the owner of 4 establishments that operates sweepstakes devices and I avidly oppose HB 343. My business employs 16 productive tax paying citizens and provides them with the means to support themselves and their families. These establishments also provide for and support my own family. In addition, I contribute to our local and national economies by being a tax paying business, and providing a service that entertains and promotes local businesses and products. HB 343 directly threatens the well being of Hawaii's citizens. It deprives us of our civil liberties as Americans, stifles capitalism, and is an obstruction to small local businesses.

Thank you

Soon Jung Yun

Rep. Karl Rhoads, Chair
Rep. Sharon E. Har, Vice Chair
Committee on Judiciary

Friday, February 8, 2013, 2pm, Conference Room 325

RE: Opposition to HB 343, Relating to Gambling Offenses

I am a partner PJY Enterprises, LLC, a local small business that distributes the Products Direct Sweepstakes terminals. These are legitimate promotions for legitimate products (similar to Publishers Clearing House, Reader's Digest Sweepstakes, Pepsi Billion Dollar Sweepstakes and McDonalds Monopoly), and are designed to generate enthusiasm and entice customers to enter drawings or games of chance that are tied to product or service awareness. It is unfair to "criminalize" business promotions simply because the game of chance involves fun casino type games that Hawaii residents enjoy. Instead, you should criminalize the numerous promotions that are not connected with legitimate products. If you must pass a bill, please revise it to allow those legitimate promotions that comply with the following requirements:

- (a) The game promotion is conducted or offered in connection with the sale, promotion, or advertisement of a **bona fide** product or service, or to enhance the brand or image of a supplier of **bona fide** consumer products or services;
- (b) No purchase payment, entry fee, or proof of purchase is required as a condition of entering the game promotion or receiving something of value;
- (c) All materials advertising the game promotion clearly disclose that no purchase or payment is necessary to enter and provide details on the free method of participation; and
- (d) In cases where electronic devices are used as the revealing mechanism, they should not be allowed to be connected to a server (such as in the case of the devices used by "internet sweepstakes cafes"), which may allow the possibility of manipulating the outcomes of the games of chance, and/or the payouts, while a customer is "actively engaged" in the playing phases of the games of chance, which are used as the revealing mechanisms. There are systems currently being operated in this State, and elsewhere that have this capability.
- (e) In cases where a "service" or usage time is the "product" being sold or promoted, make it mandatory that any "usage time" or "privilege to use and/or operate" or "credits accumulated" by the customers when purchases are made in conjunction with the operation/use of any sweepstakes device, be allowed to be transferred or sold to any other person; if the customer chooses. There are several sweepstakes devices being operated which sell enormous amounts of "usage time" or "privilege to use and/or operate" or "credits that are allowed to be accumulated, but they do not provide any means for the customer to retain the excess "usage time" or "privilege to use and/or operate" or "credits that are

allowed to be accumulated; meaning there is NO data base to that either the customer or the seller can use to retain or account for their purchases. Because the customers are allowed to/encouraged to purchase these enormous amounts of "usage time" or "privilege to use and/or operate" or "credits that are allowed to be accumulated, the customer has to be given the "right" to sell or transfer their "usage time" or "privilege to use and/or operate" or "credits that are allowed to be accumulated, for the simple fact, that they have paid for the privileges that their purchases are supposed to provide.

PJY Enterprises, LLC and its' customers, currently provide legitimate employment to in excess of 220 people in this State.

I respectfully oppose the passing of HB 343 and bills similar to this.

Thank you for this opportunity to testify.

Tracy T. Yoshimura

har2-Vincent

From: mailinglist@capitol.hawaii.gov
Sent: Thursday, February 07, 2013 7:57 PM
To: JUDtestimony
Cc: tabraham08@gmail.com
Subject: *Submitted testimony for HB343 on Feb 8, 2013 14:00PM*

HB343

Submitted on: 2/7/2013

Testimony for JUD on Feb 8, 2013 14:00PM in Conference Room 325

Submitted By	Organization	Testifier Position	Present at Hearing
Troy Abraham	Individual	Oppose	No

Comments:

Please note that testimony submitted less than 24 hours prior to the hearing, improperly identified, or directed to the incorrect office, may not be posted online or distributed to the committee prior to the convening of the public hearing.

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