

TESTIMONY OF CONGRESSMAN BOB GOODLATTE
HOUSE JUDICIARY COMMITTEE HEARING
"ESTABLISHING CONSISTENT ENFORCEMENT POLICIES IN THE CONTEXT OF ONLINE
WAGERS"
NOVEMBER 14, 2007

Mr. Chairman, thank you for inviting me to testify on this important issue.

Contrary to what many in the gambling community would lead you to believe, gambling is not a victimless activity. In fact, the negative consequences of online gambling can be more detrimental to the families and communities of addictive gamblers than if a bricks-and-mortar casino was built right next door.

The anonymity of the Internet makes it much easier for minors to gamble online. Furthermore, online gambling can result in addiction, bankruptcy, divorce, crime, and moral decline just as with traditional forms of gambling, the costs of which must ultimately be borne by society. In fact, I have been contacted by a constituent in my district whose son fell prey to an Internet gambling addiction. Faced with insurmountable debt from Internet gambling, he took his own life. Unfortunately, financial ruin and tragedy are not uncommon among online bettors.

Traditionally, States have had the authority to permit or prohibit gambling that occurs wholly within their borders. Indeed, state gambling laws vary greatly with states like Nevada permitting and regulating virtually all gambling and states like Utah prohibiting virtually all forms of gambling.

With the development of the Internet, however, state prohibitions and regulations governing gambling have become increasingly hard to enforce as electronic communications move freely across borders. Many gambling operations are beginning to take advantage of the ease with which communications can cross state lines in order to elicit illegal bets and wagers from individuals in jurisdictions that prohibit those activities. The most egregious types of these operations are those overseas operations that have little fear of violating U.S. and state laws.

Congress has acted in this area before. In 1961 Congress passed the Federal Wire Act which cracked down on illegal gambling operations that were using telephone lines to communicate bets and wagers across state lines in violation of state law. This statute was passed to help states enforce their own gambling laws, and was cutting-edge at the time. However, today the Internet and wireless technologies are the preferred method of communicating illegal bets and wagers across state lines and we needed to make sure the law contemplates Internet transactions, as well as traditional wire communications.

Virtually all State law enforcement agencies support federal laws to give teeth to their gambling laws. Last Congress, 48 Attorneys General signed a letter to Congress calling for legislation to combat Internet gambling. The letter declared that "We, the undersigned Attorneys General, wish to express our strong support for the efforts of the 109th Congress to pass legislation seeking to combat illegal Internet gambling in the United States. While we do not support federal preemption of our state laws related to the control of gambling, Internet gambling transcends state and jurisdictional boundaries and requires that all segments of the law enforcement community (state, federal and local) work together to combat its spread."

The Department of Justice has consistently stated publicly that it believes that the Wire Act covers Internet technologies and also covers all forms of gambling. However, DOJ has also welcomed legislation to clarify these provisions in order to allow it to more efficiently prosecute violations. One only has to look as far as the prosecutions of the payment processing company NETeller and the Internet gambling site BetonSports to see that DOJ can and does aggressively and effectively enforce the laws.

In order to provide more tools to law enforcement, the House of Representatives passed

H.R. 4411 last Congress by an overwhelming bipartisan vote of 317-93. This legislation was perhaps the strongest legislation prohibiting Internet gambling that has been considered on the House Floor in the past few decades. It contained important provisions to update the Wire Act, including clarifying that it covers all forms of gambling as well as all forms of technology that allow interstate gambling activities to occur. This legislation also contained important provisions to give law enforcement an additional tool to prohibit illegal Internet gambling, namely, it required financial transaction providers to block payments of illegal bets and wagers. This legislation was the subject of hearings and markups in the Judiciary and Financial Services Committees, as well as robust debate on the House Floor.

Ultimately, only the portion of the bill blocking illegal Internet gambling payments was signed into law. In keeping with previous laws, the new law only applies to transactions that violate state and federal gambling laws, thus continuing to leave the decision of whether to allow or prohibit gambling primarily with the states.

While it was only one piece of the broader House-passed bill, this new law, coupled with stepped-up enforcement actions by DOJ, has already proven extremely effective. A new study by The Annenberg Public Policy Center shows that card playing for money among college-age youth has declined from 16.3% in 2006 to 4.4% in 2007. The same study shows that weekly use of the Internet for gambling among the same age bracket has declined from 5.8% in 2006 to 1.5% in 2007. Perhaps even more promising is the fact that problem gambling symptoms have declined since last year. Among males ages 18-22, those who reported some type of gambling on a weekly basis and who also reported at least one symptom of problem gambling dropped from 20.4% in 2006 to 5.9% in 2007.

The Department of Treasury has issued draft regulations implementing the anti-gambling statute we passed last Congress, and it is my understanding that there will be a witness in the next panel to explain in detail the proposed regulations.

While there was overwhelming bipartisan Congressional support for a strong ban on Internet gambling in the House just last year, that has not stopped many in Congress from introducing legislation this year to overturn and even reverse the new federal statute, including legislation to override all state laws and permit all Internet gambling at the federal level and legislation to exempt poker and other forms of gambling from the definition of bets and wagers in the law. These types of bills are premature at best since the regulations have not even been finalized yet. At worst, these bills have the potential to reverse the positive trend mentioned above of reducing addictive behaviors that destroy the lives, families, and financial well-being of America's citizens.

Thank you again for allowing me to testify on this important issue.