

Testimony
of
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U.S. Senate Committee on Commerce, Science, & Transportation
Subcommittee on Consumer Protection, Product Safety, and Insurance

Hearing Title:
The Expansion of Internet Gambling: Assessing Consumer Protection Concerns

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Nearly seven years ago, Congress voted overwhelmingly to protect vulnerable communities within our country as well as the integrity of professional sports by stopping the expansion of gambling on the internet. Unfortunately Congress' clear intent in the Unlawful Internet Gambling Act of 2006 (UIGEA) is now under assault.

A pro-internet gambling coalition of large states desperate for more revenue and foreign-owned gambling companies have lobbied the Executive Branch to get around Congress' intended protections and, at the end of 2011, they received an extraordinary boost from an unlikely source: the U.S. Department of Justice. On Friday, December 23, 2011, the Justice Department (DOJ) announced it was upending more than five decades of consistent interpretation of the 1961 Wire Act which prohibited all gambling over the internet with a new, unilateral opinion that the law simply applied to online sports gambling.

The Wall Street Journal described what happened next: "When the U.S. Justice Department in December narrowed its interpretation of the 50-year-old Wire Act, saying it banned only sports betting and not other forms of online gambling, the decision sparked hope in state capitals that lotteries could start selling tickets online and lead a charge into online gambling." The "charge into online gambling" was exactly what Congress intended to prevent – with very good reason.

DOJ's determination has opened the flood gates for states to accelerate plans, many already underway, to go even beyond ticket sales to offer casino-like games on the Internet under the umbrella of their state lottery system. Several states have either passed on-line gambling statutes or are in the process of passing them quickly in upcoming sessions to take advantage of the Department of Justice ruling.

The CEO of the leading provider of lottery services in the United States has said, "The DOJ ruling does not limit the sale of authorized products solely to state lotteries. I think it's possible

that if lotteries are beat to market, they could be tarnished by the early entrants and also risk losing the ability to attract younger players.”

It’s those “younger players” and other vulnerable populations like seniors who are at the most serious risk. Ninety-three percent (93%) of teens age 12-17 utilize the Internet and 97% of teens of the same age participate in some form of on-line gaming making them attractive targets for gambling marketing as well as illegal and fraudulent operators.

Often, Congress is put in situations where issues that are already problems require solutions. Here is an opportunity to address an impending matter before it becomes a crisis. Congress still can act to reassert its authority and re-establish its intent to prevent the proliferation of online gambling in the U.S. By reinstating the more than 50-year old interpretation of the Wire Act and actually strengthening UIGEA, you can protect our children and families from the erosion of safeguards Congress has previously established.

We recognize Congress did not create this problem. Congress, though, does have the power to protect our seniors, our children, and give law enforcement the tools they need to protect the vulnerable from illegal predatory gambling interests. We urge bi-partisan congressional action to restrict the imminent expansion of on-line gambling throughout states, lotteries, and off-shore operators. Federal restriction of on-line gambling is vital, urgent, and consistent with recent congressional intent.