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4 HEARING ON ``INTERNET GAMING: IS THERE A SAFE BET?''

5 TUESDAY, OCTOBER 25, 2011

6 House of Representatives,

7 Subcommittee on Commerce, Manufacturing, and Trade

8 Committee on Energy and Commerce

9 Washington, D.C.

10 The Subcommittee met, pursuant to call, at 10:38 a.m.,
11 in Room 2123 of the Rayburn House Office Building, Hon. Mary
12 Bono Mack [Chairwoman of the Subcommittee] presiding.

13 Members present: Representatives Bono Mack, Blackburn,
14 Stearns, Bass, Harper, Lance, Cassidy, Guthrie, Olson,
15 Kinzinger, Barton, Butterfield, Gonzalez, Towns, Schakowsky,
16 and Inslee.

17 Staff present: Howard Kirby, Legislative Clerk; Brian
18 McCullough, Senior Professional Staff Member, Commerce,

19 Manufacturing, and Trade; Jeff Mortier, Professional Staff
20 Member; Gib Mullan, Chief Counsel, Commerce, Manufacturing,
21 and Trade; Andrew Powaleny, Press Assistant; Krista
22 Rosenthall, Counsel to Chairman Emeritus; Lyn Walker,
23 Coordinator, Admin/Human Resources; Shannon Weinberg,
24 Counsel, Commerce, Manufacturing, and Trade; Michelle Ash,
25 Democratic Chief Counsel; Felipe Mendoza, Democratic Counsel;
26 and Will Wallace, Democratic Policy Analyst.

|
27 Mrs. {Bono Mack.} Come to order. Good morning. Today
28 we turn our attention to a growing controversy in America--
29 should internet gambling be legalized, and if so, what role
30 should the Federal Government play? We have divergent
31 opinions represented on our panel this morning, and if I were
32 a betting person, I would wager that we are going to have a
33 very interesting hearing.

34 And the chair now recognizes herself for an opening
35 statement.

36 In many ways, the debate over legalizing internet
37 gambling is a lot like Texas Hold'em poker. Three cards are
38 dealt face-up. Is the further expansion of gambling in the
39 United States a good bet? Can online gambling be regulated
40 effectively? And what role should the Federal Government
41 play to protect American consumers from ``sharks?'' This is
42 the ``flop'' we have been dealt for today's hearing.

43 Then there is the ``turn'' card. With billions of
44 dollars sitting on the table, can Congress afford not to get
45 involved?

46 And finally, the ``river'' card--what impact would
47 legalized internet gambling have on American consumers and
48 the U.S. economy? Clearly, the stakes are high, and a
49 ``showdown'' is likely on Capitol Hill in the months ahead.

50 As chairman of the House Subcommittee on Commerce,
51 Manufacturing and Trade, this is an issue which I will be
52 following very closely to make certain Americans are dealt a
53 fair hand, regardless of the outcome.

54 The purpose of our hearing is to simply take a close
55 look at the ``face-up'' cards--the things we know with some
56 certainty after 80 years of legalized, regulated gambling in
57 the United States. Today, we will hear from both sides of
58 this important yet very contentious issue.

59 One thing we do know is this: the vast majority of
60 Americans have gambled at some point in their lives.
61 According to the UCLA Gambling Studies Program, approximately
62 85 percent of U.S. adults have gambled at least once--60
63 percent in the past year. What is more, some form of
64 gambling is legalized in 48 States plus the District of
65 Columbia. The only 2 States without legalized gambling are
66 Hawaii and Utah.

67 Gaming policy and regulation is generally handled by the
68 States, although the Federal Government has been involved in
69 shaping the boundaries of what is not permissible. But the
70 legal status of online gaming is a lot more complicated. In
71 1961, Congress passed the Interstate Wire Act, more than 20
72 years before anyone had ever heard of a thing called the
73 internet. Yet according to the Justice Department, online

74 gambling is illegal under the Interstate Wire Act because it
75 prohibits the use of wire communications for the interstate
76 facilitation or transfer of wagers.

77 In 1988, gambling in the United States began to
78 proliferate after Congress passed the Indian Gaming
79 Regulatory Act, addressing the jurisdiction and authority of
80 tribes to establish gaming on their lands. Since its
81 passage, tribal gaming operations have seen tremendous growth
82 with revenues last year exceeding \$26 billion.

83 And speaking from my own experience--with seven casinos
84 located in my Congressional District--tribal gaming has been
85 a huge plus. It has created thousands of jobs during
86 difficult economic times, and the tribes have been great
87 neighbors, too, contributing regularly to charities and civic
88 events.

89 Unfortunately, illegal gambling has been growing in
90 popularity as well. So in 2006, to combat the proliferation
91 of illegal internet gambling, Congress adopted the Unlawful
92 Internet Gambling Enforcement Act. This effectively outlawed
93 interstate online gaming in the United States by prohibiting
94 gambling-related businesses from accepting payments in the
95 form of checks, credit card payments, or electronic funds
96 transfers relating to unlawful internet gambling. The law
97 also establishes fines and penalties for banks and financial

98 companies that process such payments.

99 In April of this year, three of the top poker websites
100 were shut down and 11 people were indicted for bank fraud and
101 money laundering, raising new questions about the law.
102 Proponents argue that the statute has not reduced internet
103 gambling; it has simply driven it underground and offshore,
104 where sharks can operate with impunity. Legalizing internet
105 gambling, they argue, would actually allow the government to
106 provide greater protection for consumers.

107 Proponents also argue that if internet gambling is
108 legalized, the U.S. would realize significant tax revenues
109 from online bets that are currently directed to non-U.S.-
110 based gaming companies. It is estimated that Americans
111 wagered \$16 billion last year on internet poker sites alone.
112 But those who want to keep the ban on internet gambling in
113 place argue that repealing the current law will expose more
114 Americans to serious problems such as compulsive gambling.
115 They are also worried about an increase in fraud, money
116 laundering, and organized crime. Still others have expressed
117 concern that State budgets could be harmed by the loss of
118 lottery and gaming revenue, and they point to a huge
119 potential impact on existing, legitimate gaming operations.
120 So, as policy makers, the issue of legalizing internet
121 gambling certainly raises a lot of questions for us to

122 consider: How effective is current enforcement of online
123 intrastate gaming? What, if any, forms of interstate gaming
124 online gaming should Congress consider allowing? What
125 consumer protections exist for online gaming today and do
126 they need to be strengthened? And how would any easing of
127 legal restrictions on internet gaming affect American
128 consumers and other stakeholders? Hopefully, after today's
129 hearing, we will have a better idea of whether we need to
130 hold 'em or to fold 'em.

131 And so with that, I am happy to recognize the gentleman
132 from North Carolina, Mr. Butterfield, the ranking member of
133 the subcommittee, for 5 minutes for his opening statement.

134 [The prepared statement of Mrs. Bono Mack follows:]

135 ***** COMMITTEE INSERT *****

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136 Mr. {Butterfield.} Let me thank the chairman for
137 convening this important hearing today. This is a topic that
138 I have heard so much discussion about since I have been in
139 Congress, and I am just looking forward to the six witnesses
140 that we have in front of us. And hopefully, you can bring us
141 a perspective that we have not heard before or perhaps you
142 may be able to reinforce some of the views that we have
143 heard.

144 And so as your ranking member, Madam Chairman, I look
145 forward to working with you on this issue.

146 Congress is no stranger to this issue, and we have
147 grappled with how to best address it for some time now. My
148 good friend, Congresswoman Shelley Berkley, talks about this
149 very often both to us privately and in our caucus meetings,
150 and so we want to keep her involved and try to bring some
151 closure to this issue.

152 Part of the reason why I think is because Members of
153 Congress, just like all of our constituents across the
154 country, have very personal feelings about gambling.
155 Certainly in my community there are divergent views and all
156 across the country it is the same. Some are strongly opposed
157 to all forms of gambling while others see it merely as
158 entertainment. The debate shouldn't be over whether gambling

159 is moral or not moral. Instead, we should acknowledge that
160 internet gaming is happening now all over the world,
161 including here in our country where online gambling has been
162 treated as illegal by the Justice Department.

163 As a result, the American internet gamblers have turned
164 to unregulated foreign offshore entities for access to games.
165 The offshore entities may not provide consumer protections
166 for those who gamble, and there is no U.S. oversight to
167 ensure U.S. citizens are not harmed. There is often no legal
168 recourse for consumers who have been wronged by bad offshore
169 actors.

170 There is also the small issue of money. Last year
171 alone, Americans wagered \$16 billion just on internet poker.
172 While some of that money went back to players in the form of
173 winnings, the overwhelming majority remained offshore,
174 unregulated and untaxed. With our significant national debt,
175 a commonsense solution seems clear. We need a robust debate
176 on whether internet gaming should be legalized in the U.S.,
177 and if so, we will need an oversight structure put in place
178 to ensure consumers the strongest possible safeguards. Games
179 like poker and bingo are as ubiquitous in the U.S. as
180 baseball and football and are played by young and old alike.
181 But technology has indeed evolved permitting individuals to
182 participate in games of chance and skill in real time and

183 remotely.

184 Instead of embracing a new twist on an old game, our
185 inaction has led Americans to spend their money offshore and
186 at their own peril. Permitting internet gaming entities to
187 operate within the U.S. could yield tremendous financial
188 benefits to struggling federal and State coffers through
189 unrealized direct and indirect tax revenues. It would also
190 allow for oversight of and accountability for the industry's
191 business practices. Most importantly, we would have the
192 opportunity to create and implement strong consumer
193 safeguards that each entity would have to follow.

194 Having anytime access to gamble real money raises
195 significant concerns. The compulsive gambler would no longer
196 have to expend any effort like driving to a casino to play
197 the game. A mouse click and a credit card number are all
198 that he or she needs to play but with no human interaction
199 with the house. There is no one and no way to cut someone
200 off if they have played too much. Before long, that same
201 gambler has maxed out his or her credit cards and faces the
202 dreaded bankruptcy or worse, he turns to criminal activity to
203 finance his habit.

204 While my example may be extreme it is very possible and
205 it happens daily at conventional gaming houses. People
206 ultimately must have personal responsibility to know when

207 enough is enough, but when the line blurs, safeguards must be
208 in place. That is why any legislation that permits internet
209 gaming in the U.S. must, must have protections in place to
210 mitigate compulsive gambling. Consumer protections must also
211 be in place to ensure that the games are honest and fair and
212 truly randomized.

213 Economic boom that could result from legalized internet
214 gaming is perhaps the most compelling reason to give it
215 serious consideration. Hundreds of millions of dollars in
216 new revenues could be realized by struggling States. Tens of
217 thousands of jobs could be created all across the country to
218 directly support the new industry. Considering the fragile
219 and struggling state of our economy, I strongly believe that
220 all potential remedies should be considered to return us to
221 greater prosperity.

222 Thank you, Chairman. I yield back.

223 [The prepared statement of Mr. Butterfield follows:]

224 ***** COMMITTEE INSERT *****

|
225 Mrs. {Bono Mack.} I thank the gentleman.

226 And in accordance with committee rules, Chairman Upton
227 has yielded his 5 minutes to me, and I would now recognize
228 the gentleman from Texas, Mr. Barton, Chairman Emeritus of
229 the full committee, for 3 minutes.

230 Mr. {Barton.} Thank you, Madam Chairwoman. It is good
231 to have Senator D'Amato on the panel, and I see former
232 Congressman John Porter out in the audience. It is good to
233 have you here.

234 Poker is the all-American game. President Richard Nixon
235 financed his first congressional campaign partially with
236 poker winnings from World War II. Our current president,
237 President Obama, is reputed to be a very good poker player.
238 I learned to play poker, believe it or not, in the Boy
239 Scouts. So if you learn something in the Boy Scouts, it has
240 got to be a good thing, right? Unfortunately, because there
241 is some chance to it, while it is a game of skill, there are
242 those that think we should not allow poker to be played for
243 money on the internet.

244 Consequently, we passed the bill or law several years
245 ago that is unenforceable, UIGEA. It is a bad law regardless
246 of which side of the debate that you are on. I have
247 introduced a bill as the chief sponsor to remedy this, and

248 two of my cosponsors are Barney Frank and Ron Paul. I will
249 postulate that if you have got a bill that Barney Frank, Joe
250 Barton, and Ron Paul are all for, who can be against it? I
251 mean we have covered the spectrum.

252 You can't see this in the audience but this is a
253 photocopy of a registration from yesterday. A person who is
254 in the audience today signed up on bodog.com to play poker
255 for money. He deposited \$50, he got a \$5 bonus for making
256 the deposit, and he got a solicitation that if he could be
257 more people to sign up, too, he could get an additional, I
258 believe, \$200 in poker chips. People are playing poker on
259 the internet in the United States for money today. We think
260 as many as 8 million players per month play poker for money
261 online in the United States per month.

262 Having said that, it is not regulated, and so these
263 sites are offshore, overseas, and consequently outside the
264 ability for us to tax the winnings, to regulate, to make sure
265 that it is a fair game and everybody has an equal chance to
266 win based on their skill. The legislation that I have
267 introduced, H.R. 2366, is not perfect but it would remedy
268 most of the major problems that we face today.

269 I want to thank Chairwoman Bono Mack for having this
270 hearing. I want to thank the ranking member, Mr.
271 Butterfield, for what he said in his opening statement. I

272 think we should have a robust debate. Perhaps there should
273 even be an additional hearing. But at some point in time in
274 this Congress I hope we can move 2366 or something similar to
275 it, Madam Chairwoman, to let everybody in America who wishes
276 to play poker in States that allow it to do so. And the bill
277 that I have introduced, it is a State option. If the
278 governor of a State says there shall be no internet poker
279 played by residents of that State, it does not happen. So we
280 are not preempting the States, but in the States that thinks
281 it is okay, we set up a regulatory scheme and a taxation
282 scheme so that we have a fair game and everybody has an equal
283 chance. And future President Nixons and Obamas can play on
284 the internet for money and use those earnings to join us.

285 With that Madam Chairwoman Mack, I yield back the
286 balance of my time.

287 [The prepared statement of Mr. Barton follows:]

288 ***** COMMITTEE INSERT *****

|
289 Mrs. {Bono Mack.} I thank you, Mr. Barton.

290 And the chair now recognizes Mr. Guthrie of Kentucky for
291 2 minutes.

292 Mr. {Guthrie.} Thank you, Madam Chairwoman, for
293 yielding.

294 And I went to college in New York State in the 1980s so
295 I appreciate your service Senator D'Amato. I remember
296 reading at the New York Media when I was in college and all
297 the great work you did for that State. I appreciate it.

298 But I am from Kentucky, and as all you know, in Kentucky
299 we are famous for our horses. We have two of the greatest
300 racetracks in the world--at Churchill Downs in Louisville and
301 at Keeneland in Lexington, and we breed the world's best
302 horses that run on them. And no matter how you cut it,
303 internet gaming will affect the horse-racing business.
304 Expanded online gaming will result in less gaming dollars
305 being spent at tracks. Fewer dollars in the racing business
306 doesn't just affect the tracks, breeders, jockeys, and
307 trainers; it also affects thousands of other jobs in these
308 communities that depend on the horse industry.

309 Because of this concern, the effect on the horse racing
310 must be considered in the expansion of online gaming. And I
311 look forward to hearing from the witnesses and my colleagues

312 on the underlying issue of online gaming legislation.
313 However, as the chairman of the Congressional Horse Caucus, I
314 must remind my colleagues that we cannot overlook the impact
315 that gaming legislation would have on a \$50 billion equine
316 industry.

317 While I am biased towards Kentucky's thoroughbreds and
318 our signature race, which is truly the greatest 2 minutes in
319 sports, this is not a one-State issue. The horse-racing
320 industry supports over a million jobs nationwide. We cannot
321 ignore this important industry as we consider changes to
322 online gaming.

323 Thank you, Madam Chairwoman, and I yield back.

324 [The prepared statement of Mr. Guthrie follows:]

325 ***** COMMITTEE INSERT *****

|
326 Mrs. {Bono Mack.} I thank the gentleman.

327 And now we turn our attention to our panel. We have one
328 panel of witnesses joining us today. Each of our witnesses
329 has prepared an opening statement that will be placed into
330 the record. Each of you will have 5 minutes to summarize
331 that statement in your remarks.

332 For introduction, one witness is very well known to many
333 of us, former United States Senator from New York, the
334 Honorable Alfonse D'Amato, who now serves as chairman of the
335 Poker Players Alliance. We all welcome you. And then we
336 have Parry Aftab, Advisory Board Member of Fair Play USA.
337 Also testifying we have Keith Whyte, Executive Director of
338 the National Council on Problem Gambling. We have Kurt
339 Eggert, Professor of Law, from Chapman University School of
340 Law. We have Ernest Stevens, Chairman of the National Indian
341 Gaming Association. And our final witness is Dan Romer,
342 Director of the Adolescent Communication Institute at the
343 Annenberg Public Policy Center.

344 Good morning. Thank you all very much for coming.
345 Again, you will be recognized for 5 minutes. To keep track
346 of the time, there are lights and timers in front of you.
347 When the timer turns yellow, you will have 1 minute left.
348 And please remember to turn your microphone on and bring it

349 close to your mouth. Although we might hear you, the TV
350 audience might not at home, so it is very important you
351 remember to do that.

352 So Senator D'Amato, we are very pleased to welcome you
353 and recognize you for 5 minutes.

|
354 ^STATEMENTS OF ALFONSE D'AMATO, CHAIRMAN, POKER PLAYERS
355 ALLIANCE; PARRY AFTAB, MEMBER, BOARD OF ADVISORS, FAIR PLAY
356 USA; ERNEST L. STEVENS, CHAIRMAN, NATIONAL INDIAN GAMING
357 ASSOCIATION; KEITH WHYTE, EXECUTIVE DIRECTOR, NATIONAL
358 COUNCIL ON PROBLEM GAMBLING; KURT EGGERT, PROFESSOR OF LAW,
359 CHAPMAN UNIVERSITY SCHOOL OF LAW; AND DAN ROMER, DIRECTOR,
360 ADOLESCENT COMMUNICATION INSTITUTE, THE ANNENBERG PUBLIC
361 POLICY CENTER

|
362 ^STATEMENT OF ALFONSE D'AMATO

363 } Mr. {D'Amato.} Well, Madam Chairman, thank you so very
364 much. And let me wish you a belated happy birthday. I
365 understand yesterday you celebrated your birthday. And I
366 would like to thank you again for giving us an opportunity to
367 testify on an issue which I care very much about. Indeed, in
368 my capacity as chairman of the Poker Players Alliance, I have
369 been privileged to represent 1,200,000 Americans who have
370 joined our organization and who love this great American
371 pastime. They love playing poker in their homes, casinos,
372 card rooms, charitable games, and yes, on the internet. I
373 want to congratulate the committee for holding this hearing,
374 an opportunity to get a better understanding of what the

375 status quo is as it relates to poker and the internet.

376 And let me say status quo is badly broken, and it
377 benefits no one. Although it may have been well intended,
378 the legislation that passed 4 years ago, the fact of the
379 matter is that it has created many more problems than it has
380 solved. It has endangered young people. It has endangered
381 problem gamblers. It has endangered those who want to
382 participate in an honest, legitimate game. And it is my
383 fervent hope that this committee will respond by taking up
384 legislation similar to the bills introduced by Congressman
385 Barton and Congressman Campbell. And at this point, let me
386 take a moment to congratulate the Chairman Emeritus for his
387 leadership on this issue. Congressman Barton, you have
388 stolen my speech. You have said it all and you said it much
389 more eloquently and much more succinctly than any former
390 United States Senator could do because we never had time
391 limitations. And so this 5 minutes is rather difficult for
392 me to deal with. But let me just touch on one or two points.

393 Internet poker, as the Congressman has just said, has
394 not gone away. And it is hard to envision a scenario where
395 it will. What is taking place now is it takes place under
396 the radar with no regulations, with no taxation, with
397 unscrupulous groups who can and do operate. They operate in
398 the public and the government can do little if anything and

399 certainly doesn't safeguard the general public. As the
400 Congressman indicated, just yesterday a young man by the name
401 of John Pappas with his federal credit union debit card--very
402 interesting, I guess it is the right Pappas debit card--went
403 and opening an account at bodog.com. Now, he could have been
404 anybody. He could have opening up an account, been underage,
405 been under the age of 21 because they give these cards to
406 just about anybody. Once I got one for my dog believe it or
407 not. And so 16-, 17-, 18-year-old can certainly do that. So
408 where is the protection for young people?

409 And let me tell you, we have people on this panel today
410 who speak up for young people. Parry has done a fantastic
411 job, Parry Aftab. One of the things that the Congressman's
412 legislation provides for is verification and the type of
413 verification that will keep youngsters who are under 21 from
414 playing. That is the kind of thing that you need to do. One
415 of the things that the Congressman's legislation will see to
416 it that you don't have unscrupulous operators who inveigle
417 the poker player's money and use it for themselves. And we
418 have seen that situation with Full Tilt, horrible situation
419 where people took poker players' money that should have been
420 placed in a trust account and distribute it as dividends to
421 the people who ran that corporation, terrible betrayal of
422 people.

423 Let me say there are those internet sites that operate
424 where they do have a trust account. Poker Stars, for
425 example, legislation required that they have a trust account
426 for those dollars, and that is what Congressman Barton's
427 legislation does so that you can't have this inveigling, so
428 you have proper supervision. And again, if you want to
429 protect young people--and I understand the genesis of this
430 came from a genuine concern that so many young people were
431 flocking to the poker rooms, the poker sites. The TV was
432 carrying it. I think the third most watched game on
433 television, sports, was poker, online poker on television.
434 And so you had kids getting involved. Well, how do you keep
435 them from doing it? By passing legislation that will require
436 verifiable identification. That is how you do it.

437 How do you keep the deadbeat dad from becoming a problem
438 gambling? Well, I will tell you how. You pass legislation
439 similar to that that Congressman Barton has put forth and you
440 stop it because States can then post the deadbeat dads that
441 will not permit them to go on the internet and gamble.

442 And so for those reasons and lots of others that time
443 will not permit--I don't want to test your patience--let me
444 say that I really hope that we have an opportunity to do
445 something to permit a great game, a game which requires skill
446 to be played in people's homes. It shouldn't be that they

447 can just go to casinos and play. Lots of people don't have
448 the ability to do that. It shouldn't be that they have to go
449 to someone else's home or have people being invited to their
450 home. They may not be able to get together that game. Great
451 pastime. This legislation that has created and clouded the
452 UIGEA legislation, the situation may have been well intended;
453 it has missed its mark.

454 I thank the chair and the committee for giving me this
455 opportunity and I look forward to any questions that you
456 might have. Thank you.

457 [The prepared statement of Mr. D'Amato follows:]

458 ***** INSERT 1 *****

|
459 Mrs. {Bono Mack.} Thank you, Senator.

460 And now I recognize Ms. Aftab for 5 minutes.

|
461 ^STATEMENT OF PARRY AFTAB

462 } Ms. {Aftab.} Good morning. Thank you very much,
463 Chairman Bono Mack and Ranking Member Butterfield and other
464 members of the subcommittee, for enabling me to speak today.

465 I am representing Fair Play USA as a member of their
466 Advisory Board. I am joined in that Advisory Board by Louis
467 Freeh, who was director of the FBI; and the first secretary
468 of Homeland Security, Governor Ridge, who are unable to
469 testify today.

470 As we look at these issues, we need to recognize that
471 they have a lot in common with the issues that this
472 subcommittee has been working on--privacy, security,
473 authentication, protecting our consumers. It is very much a
474 matter of protecting our kids and protecting our families as
475 well. So to the extent any of you know my work, I have been
476 probably best known for protecting kids and families online
477 as the unpaid executive director of Wired Safety. We are the
478 oldest and largest internet safety group in the world. And
479 we handle all issues. And in that capacity I receive phone
480 calls and emails from people who have gambled online, won,
481 and not retrieved their winnings; people who are confused
482 about whether or not it is legal for them to play poker

483 online.

484 I am a lawyer and I have to parse the law to really
485 understand it. If you walk up and down the street, a lot of
486 people don't. They don't understand the difference between
487 online poker fun games that are just part of computer games
488 and those where there is wagering that takes place. A lot of
489 the other countries around the world have looked at this and
490 found the solution for the problems that we have identified
491 with online gambling: identity theft, money laundering,
492 underage gambling, problem gambling, fraud, identity theft,
493 privacy/security breaches. All of these issues can be dealt
494 with the ironic position of legalizing certain aspects of
495 online gambling but regulating it and being able to enforce
496 it.

497 The benefits of this allow us to help people who are
498 defrauded, put in the safeguards that have been put in brick-
499 and-mortar gambling situations. As we look at this, it is
500 not a matter of whether gambling is moral or not. I think
501 that issue was dealt with many years ago when State lotteries
502 were put in place, when we looked at tribal gambling and we
503 saw how many schools could be funded with this. But we can
504 put safeguards in effect that are not in effect now. What is
505 happening now isn't working. There are millions of people
506 gambling billions of dollars online without any protection at

507 all. And because of the laws that we have, it is really a
508 hear-no-evil, see-no-evil, speak-no-evil situation. And
509 these people find themselves with no place to go but calling
510 my cell phone at three o'clock in the morning.

511 So I have a group of teens, teen angels and some of the
512 representatives on this subcommittee have teen angels in
513 their districts and they are familiar with them, and they
514 knew that I was testifying here today. And they are teen
515 internet safety experts. So they said, well, it is really
516 easy for us to find these online poker sites in particular,
517 and they went to several of them. And one they went to I
518 have here; it is pokersites.com. It took them about 2-1/2
519 seconds to find that one. And it has top lists of places
520 that are the best legal U.S. poker site 2011--betonline,
521 bodog again. I knew they did this because they called and
522 asked for my credit card number to be able to put it in place
523 or for permission to use one of theirs, and one of the girls
524 was 16 years old and had her own credit card that her parents
525 had given her to be able to shop at the mall. It is easy.
526 It is too easy and there is nothing we can do right now to
527 keep underage gamblers out and protect problem gamblers with
528 the kind of things that we can do.

529 There are many things that we do to address online
530 gambling as it relates to horse racing, although I don't know

531 anybody who would rather go to the internet than the
532 beautiful State of Kentucky. But I think that there are so
533 many things that can be done here if we treat this as another
534 internet safety, privacy, and security issue instead of
535 something that is unique because it has a lot more in common
536 with all of the other things we are looking at than there are
537 differences. So I am happy to discuss any of those issues
538 with anyone on the committee if you have questions and help
539 in any way I can. Thank you.

540 [The prepared statement of Ms. Aftab follows:]

541 ***** INSERT 2 *****

|

542 Mrs. {Bono Mack.} Thank you very much.

543 Mr. Stevens, you are recognized for 5 minutes.

|
544 ^STATEMENT OF ERNEST L. STEVENS

545 } Mr. {Stevens.} Thank you. Good morning, Madam Chairman
546 Bono Mack, Ranking Member Butterfield, and the members of the
547 subcommittee. Thank you for this opportunity to provide the
548 views of the National Indian Gaming Association on the
549 important issue of internet gaming.

550 To place our views in context, let us start with the
551 Constitution. Indian tribes are recognized in the United
552 States Constitution as governments. Through treaties with
553 the United States, tribal governments ceded hundreds of
554 millions of acres of their homelands to help build this great
555 Nation. In return, the U.S. promised to preserve remaining
556 tribal lands and tribal sovereignty and provide for the
557 health, education, and general welfare of Indian people.

558 Unfortunately, Madam Chairman, the United States has
559 broken many of these treaty promises. After suffering
560 generations of failed federal policies, tribes took matters
561 into their own hands in the 1960s and '70s when they began to
562 use gaming as a means to generate revenue to meet tribal
563 needs. That is when President Johnson and Nixon adopted the
564 policy supporting Indian self-determination. Indian gaming
565 is Indian self-determination.

566 In 1988, after more than a decade of legal challenges by
567 States and commercial gaming interests, Congress stepped in
568 and established a federal law through the Indian Gaming
569 Regulatory Act, or IGRA. IGRA acknowledges Indian tribes as
570 governments with the right to regulate and operate gaming.
571 IGRA provides that tribal gaming revenues be used for tribal
572 government purposes. It also provides that tribal revenues
573 are not subject to taxation. And finally, the Act
574 established a comprehensive regulatory system that involves 3
575 levels of government regulation: tribal, federal, and State.

576 Twenty-three years later, more than 200 Indian tribes
577 have made IGRA work to begin to rebuild their once-forgotten
578 communities. Gaming revenues are working to improve tribal
579 education, health, elder care, and rebuilding tribal
580 infrastructure, and so much more. For many tribes, Indian
581 gaming is about jobs. In 2010, Madam Chair, Indian gaming
582 created more than 600,000 American jobs. Without question,
583 Indian gaming is putting people to work.

584 These tribes realize that the games would not be
585 possible without strong regulation. The tribal regulatory
586 system employs more than 3,400 regulators, along with state-
587 of-the-art technology to protect tribal revenues. In 2010,
588 tribes spent 375 million in regulation. The system is
589 costly, it is comprehensive, and our record of experience

590 shows that it is working. Because of Indian gaming, tribal
591 governments are stronger, our people are healthier, and an
592 entire generation of Indian youth have hope for a better
593 future.

594 As a result of these gains, all tribes are weary when
595 Congress considers changing the playing field with regard to
596 gambling. Legalized internet gaming raises significant
597 concerns. In 2010, tribal leaders conducted more than a
598 dozen meetings to discuss the issues of internet gaming.
599 From these meetings, tribal leaders nationwide have unified
600 behind a set of general principles regarding federal internet
601 gaming legislation. These principles are listed in my
602 written testimony, and I will try to summarize these for you,
603 Madam Chairman.

604 First, our principles require that federal legislation
605 provides similar authorizations and protections for tribal
606 internet gaming that IGRA provides for Indian gaming. To
607 accomplish this goal, internet gaming legislation must
608 acknowledge that tribes are eligible to operate and regulate
609 internet gaming. If a federal regulatory system is required,
610 tribes ask that the NIGC be vested with the authority to
611 regulate tribal internet gaming. The National Indian Gaming
612 Commission is the only federal agency with experience in
613 regulating any form of gaming in the United States.

614 Indian Country's fourth principle states that the
615 federal legislation must acknowledge that customers may
616 access tribal internet sites as long as such gaming is not
617 prohibited where the customer is located. And five,
618 legislation must acknowledge that tribal internet gaming
619 revenues are not subject to taxation. Tribal gaming revenues
620 are 100 percent taxed. These funds go to serve the public
621 purpose of tribal and nearby communities. There is no room
622 for federal and State taxation.

623 Our final principle is based on the fact that tribes
624 have invested significant resources on the current law.
625 Thus, legislation must fully protect tribal rights under the
626 Indian Gaming Regulatory Act and existing tribal State gaming
627 compacts.

628 Internet gaming bills that have been introduced in the
629 112th Congress violate many of these principles and we oppose
630 their passage as currently written. In addition, there are
631 many stakeholders that have yet to be heard from. For
632 example, neither of the Departments of Justice, Interior,
633 Commerce, Treasure, or the National Indian Gaming Commission
634 have been heard on this issue.

635 I know my time is short so I will briefly conclude,
636 Madam Chairman. Indian gaming has proven to be the most
637 effective tool to help Indian tribes address more than a

638 century of federal policy failures. Tribes are concerned
639 that legalized internet gaming will threaten these games.
640 NIGA has dialogued with Congress on internet gaming for close
641 to 15 years, and on the most recent discussions, tribes have
642 met and unified behind these set of core principles.

643 We look forward to working with Congress and this
644 subcommittee and to ensure that any legislation moving to
645 legalize internet gaming adheres to these principles that are
646 developed and established by the tribes across the United
647 States. And I thank you again for this opportunity to
648 testify and I am here to answer any questions you may have,
649 Madam Chairman.

650 [The prepared statement of Mr. Stevens follows:]

651 ***** INSERT 3 *****

|
652 Mrs. {Bono Mack.} Thank you, Mr. Stevens.

653 And now I am happy to recognize Mr. Whyte for 5 minutes.

|
654 ^STATEMENT OF KEITH WHYTE

655 } Mr. {Whyte.} Thank you, Madam Chairman, Ranking Member
656 Butterfield, and the committee members.

657 My name is Keith Whyte. I am the executive director of
658 the National Council on Problem Gambling. This is actual my
659 12-year anniversary with the National Council; I started 12
660 years ago this week. The NCPG is the national advocate for
661 programs and services to assist problem gamblers and their
662 families. We have a 39-year record of independence and
663 objectivity in dealing with the often controversial issue of
664 gaming. We are neutral on legalized gambling taking no
665 position for or against it. Our main concern is advocacy for
666 problem gamblers and their families.

667 We believe strongly the most ethical and cost-effective
668 response to problem gambling issues raised by the internet is
669 a comprehensive public health approach. Problem gambling,
670 like other diseases of addiction, will likely never be
671 eliminated, but we can and must make better efforts to
672 protect consumers, prevent addiction, and mitigate the
673 damage. It is inconceivable that internet gambling be
674 legalized without dedicating a portion of the new revenue to
675 address the known social costs of gambling addiction.

676 Madam Chairman said this in her opening statement: at
677 least 85 percent of adults have gambled once in the past
678 year, 15 percent at least once in the past week. You are
679 looking at \$95 billion generated by casinos, tracks, and
680 lotteries in legal gaming revenue alone, which obviously does
681 not include most sports gambling and much of the internet
682 gambling today. \$6 billion per year comes from the special
683 federal withholding tax on legalized gambling winnings. Yet
684 unlike the federal excise taxes on tobacco and alcohol, not a
685 single penny of this federal tax revenue from legalized
686 gambling is returned back to prevent and treat the social
687 cost of gambling addiction.

688 Between 68 million adults and 500,000 adolescents meet
689 criteria for a gambling addiction in a given year. High-risk
690 groups include members of racial and ethnical minority
691 groups, young males, and veterans. The estimated social cost
692 to families, business, and communities top \$7 billion per
693 year from addiction, bankruptcy, and crime. Problem gambling
694 is therefore an important national public health concern.
695 Gambling problems are significantly correlated with other
696 substance use and abuse problems that we know are extremely
697 costly to our State governments and to our families and
698 individuals. Gambling problems are significantly correlated
699 with higher rates of unemployment, bankruptcy, arrest,

700 incarceration, and poor physical health. In addition,
701 millions of spouses, children, families, and parents,
702 employers are also negatively impacted by gambling addiction.

703 It is not clear with the impact of the legalization of
704 internet gambling is going to be on problem gambling. The
705 available research does consistently show that internet
706 gambling has the lowest participation rates of any form of
707 gambling regardless of legality of gambling in that
708 jurisdiction. The rates of participation do not seem to vary
709 significantly whether it is legal or illegal. And as we have
710 heard this morning already, there are massive numbers of
711 Americans that are gambling online currently. Yet studies
712 throughout the world also find relatively high rates of
713 gambling problems among those who do gamble online. Of
714 course, those who gamble online are also very likely to
715 gamble in traditional forms to the extent that internet
716 gambling almost seems to be an adjunct to people who are
717 already gambling in traditional forms.

718 It is also possible that people who gamble online may be
719 exacerbating their problems due to the unlimited access, the
720 high speed of play, use of credit and non-cash instruments
721 and perceived social anonymity, all of which are known risk
722 factors for gambling addiction in the bricks-and-mortar
723 world. Since online gamblers are known to have high rates of

724 problems, it is important to require extensive responsible
725 gaming policies.

726 These programs provide an opportunity to create informed
727 consumers, to provide informed consumers with a variety of
728 information designed to encourage safe choices and discourage
729 unsafe behavior. The technology exists to allow players to
730 set limits on the amount of money gambled, the time they
731 gamble, and the deposits they make. And I am pleased that
732 Dr. Romer is going to speak a little bit on some of these
733 consumer protection policies.

734 Strong regulation is important but it cannot be
735 effective alone. It must be accompanied by equally robust
736 prevention, education, treatment, and research services. A
737 portion of gambling revenue from legalized gambling, which we
738 estimate would be not less than \$50 million annually, must be
739 set aside for such programs. This need is magnified by the
740 disparity of services among the States as more than 1/3 of
741 the States, including a number of States represented by
742 members of this committee, provide absolutely no public funds
743 whatsoever to prevent or treat gambling problems. This is
744 neither cost effective nor an ethical means of responding to
745 a known public health concern.

746 An important and cost-free first step is to cut social
747 costs by designating a lead federal agency on problem

748 gambling. Unbelievably--although we have heard a lot of
749 testimony that gambling has been around and is certainly
750 present in most States--there is no single federal agency
751 that coordinates efforts on this issue. I call your
752 attention to H.R. 2334, the Comprehensive Problem Gambling
753 Act, which has been introduced now for the fourth time in the
754 House, which would designate the Substance Abuse and Mental
755 Health Services Administration as the lead agency on problem
756 gambling to address the public health concerns of this issue.

757 I thank Representatives Barton, Schakowsky, Pitts,
758 Whitfield, Campbell, Frank, and many others who are current
759 or former sponsors of this legislation. And as Member
760 Emeritus Barton has said, we certainly appreciate the broad
761 sponsorship on our bill as well with you and Representative
762 Frank.

763 In closing, millions of Americans are experiencing
764 gambling problems today like my friend Mike. He gambled away
765 more than \$250,000 in the past 3 years gambling on the
766 internet. He lost his job, his house, and his family. He
767 sat in his grocery store parking lot here in Northern
768 Virginia and contemplated suicide. Fortunately, he was able
769 to get treatment, and today, he works to ensure that hope and
770 help are available for problem gamblers and their families.
771 Simply put, treatment works. It is an investment that pays

772 for itself many times over.

773 In closing, those who legalize, regulate, promote, and
774 profit from gambling have an ethical and an economic
775 imperative to minimize the social cost of gambling addiction.
776 Thank you for the opportunity to testify.

777 [The prepared statement of Mr. Whyte follows:]

778 ***** INSERT 4 *****

|

779 Mrs. {Bono Mack.} Thank you, Mr. Whyte.

780 And Professor Eggert, welcome, and you are recognized

781 for 5 minutes.

|
782 ^STATEMENT OF KURT EGGERT

783 } Mr. {Eggert.} Good morning, Madam Chairwoman. Thank
784 you, Madam Chairwoman and Ranking Member Butterfield and
785 members. I appreciate your inviting me to talk about this
786 important issue. You should know I come at this from a
787 different angle than most. I come from a consumer protection
788 angle where I have worked in most of my career. I was an
789 advisor to the Federal Reserve Board on consumer financial
790 issues on their Consumer Advisory Council, and you can
791 imagine what fun that was during our recent years. And so
792 when I think about gambling, the question I have is what
793 consumer protection should be in place? And I am very happy
794 to hear many of you talk about the importance of consumer
795 protection in gambling because it is in fact a crucial issue.

796 Gamblers used to be looked down on but now they are just
797 consumers. It is just another industry. And so we should
798 treat them as consumers as we would in other industries and
799 think about what consumer protection is important in this
800 industry. The purpose of consumer protection is to make
801 consumers good shoppers, to give them the tools they need to
802 make smart decisions when they purchase--when they go to a
803 casino, when they gamble online, whatever they do, we want to

804 make them good shoppers and protect them from shark
805 practices. Because the engine of the consumer economy is if
806 the consumers drive it and as long as they are given the
807 information they need to make good decisions, then companies
808 will have to compete based on quality of product and price,
809 which is what makes our economy run.

810 Now, in the gambling industry, they talk often about
811 consumer protection is honesty, fairness, and making sure
812 that the gambler gets paid. Those are all very important,
813 but equally important is that the gambling industry provides
814 accurate price disclosure to consumers who are gambling.
815 Now, the price of the game in the gambling industry is a very
816 interesting thing. If you play \$100 slot machine, you put
817 \$100 in, but on average you get money back. Otherwise, why
818 do it? And so the real average price of a slot machine is
819 the amount that the casino retains from the gambler's bets.
820 So if you bet \$1,000 and you get \$970 back, then the price of
821 that gambling was \$30.

822 For slot machines, casinos know exactly what the average
823 hold percentage of the slot machine is. They can order a
824 slot machine with a 5 percent hold percentage, a 10 percent
825 hold percentage, 15 percent hold percentage, and they know
826 that is on average what that machine will cost. The problem
827 is that information is not disclosed to gamblers. They may

828 be sitting at a 2-percent-hold-machine table or a 15-percent-
829 hold-machine table and not know the difference. They could
830 be sitting at one much more expensive or much cheaper and not
831 be given that information.

832 It is crucial that gamblers have this information so
833 that they can make smart decisions and so that they can shop
834 based on price. Any internet gambling should include that.
835 And so any legislation for internet gambling should require
836 disclosure of the hold percentage of every slot machine on
837 the system.

838 Now, for internet poker, it is a different proposition
839 because the price made by the borrower is based more on
840 competition of other players than it is by any setting of the
841 site. Here, the problem is that professional players have
842 new tools to use against recreational gamblers that far
843 exceed anything that they could do in a casino poker table.
844 There are computer boosts that they have; there are computer
845 bots that are getting increasingly effective. And so
846 recreational gamblers may find themselves playing against
847 professionals who far exceed their ability to play and the
848 recreational gambler may have no idea what they are getting
849 into. There is even computer tracking software using data
850 mining that helps strong gamblers identify who the weak
851 gamblers are so they can follow them to tables and play

852 against them.

853 This is a real problem for the internet poker industry
854 because the industry doesn't want all of its recreational
855 gamblers' money to be drained out by professionals using bots
856 or other tools. And so any legislation has to think about
857 how to have a level playing field in internet poker. And I
858 have some ideas on that but my time is up so I will
859 appreciate any questions later on. Thank you.

860 [The prepared statement of Mr. Eggert follows:]

861 ***** INSERT 5 *****

|

862 Mrs. {Bono Mack.} Thank you, Professor.

863 And Dr. Romer, welcome. You are recognized for 5

864 minutes.

|
865 ^STATEMENT OF DAN ROMER

866 } Mr. {Romer.} Good morning, Madam Chair and Ranking
867 Member Butterfield and other members of the committee.
868 Thanks for inviting me this morning. It is a pleasure to be
869 here and to hear all the different points of view about what
870 I think is a very difficult issue for you to deal with.

871 So I have been doing research on adolescent gambling
872 since 2002 at the Annenberg Public Policy Center and trying
873 to understand both the prevalence and the harms that might
874 occur to young people as a result of all kinds of gambling,
875 not just on the internet. And we have found with a lot of
876 the research that we have been doing is that young people at
877 a very early age are starting to gamble and this puts them at
878 risk potentially for gambling dependence as they get older.
879 So it is very important for the committee and for the
880 Congress to think about what the impact will be on young
881 people and their families as a result of any actions that are
882 taken with regard to online gambling.

883 One of the things we have done since 2002 is conduct a
884 National Annenberg Survey of Youth, which studies young
885 people ages 14 to 22, and what we have found from this survey
886 is that most of the attempts to restrict online gambling

887 haven't been particularly effective, as we have already
888 heard. We found in our last survey in 2010 that more than
889 400,000 youth in the college-age range gamble once a week and
890 1.7 million or more once a month. So a lot of people are
891 online as you have heard. The same is true of high school
892 kids, very high rates, but not so much on a regular basis.
893 So we think that age restrictions and laws that would
894 encourage age-restricted responsible gambling--which is what
895 we have seen in some of the other countries that have allowed
896 online gambling--may be an approach that would work, but we
897 are still very much in the early phases of understanding how
898 online gambling will work, and I think we need research to
899 understand it better.

900 But if we have legislation that can provide some
901 safeguards that could potentially restrict underage gamblers
902 and also to the extent they do go online, make it harder for
903 them to lose control while they are online would be excellent
904 safeguards to include in any legislation.

905 And I think the principle that I see when I look at what
906 is going on in Europe is this idea of responsible gambling,
907 and so one idea that I think is particularly helpful is that
908 gambling operators should not receive disproportionate income
909 from users who are unable to control their habit. And I
910 think the bill that has been put forth by Mr. Barton and

911 others might have a mechanism in it for the public to
912 observe, monitor how funds are being made on internet
913 gambling so that you could see if certain gamblers are
914 disproportionately contributing to profits.

915 Now, some of the other ideas that we have heard about
916 age restrictions and so forth I think are very important.
917 The method of payment is really important. We still don't
918 really know how well they work. We need research, and this
919 country is actually way behind the U.K. and countries in
920 Europe on understanding what happens when young people go
921 online and gamble. We really need to find that out. We need
922 monies dedicated to that question.

923 I think we also need to consider and the law should
924 consider money and time limits. I think Keith mentioned that
925 he thinks this is a good idea. There should be a running
926 clock online, there should be a win/loss total online so that
927 the young person knows how much they are wagering. And this
928 is true whether they are 18, 21, or 51. This is something I
929 think is straightforward but we really don't know how many of
930 these kinds of restrictions would work.

931 We also need prevention messages online. It is much
932 easier to put these online than it is, for example, at a
933 casino. And we need to regulate or monitor the advertising
934 that is done to attract people. We don't want the

935 advertising to target young people disproportionately or
936 addicted gamblers disproportionately.

937 And so I think the challenge will be if you do legalize
938 this will be to put in place both things that Keith talked
939 about in terms of treatment but also a program of research to
940 figure out are restrictions that you put in place working?
941 What mix of restrictions work best? And what can we do in
942 the future to maximize the chance that this kind of activity
943 will not produce harms for young people and their families.
944 And I have included a bunch of other ideas in my testimony.

945 And I thank you for this opportunity to say these
946 things. Thanks.

947 [The prepared statement of Mr. Romer follows:]

948 ***** INSERT 6 *****

|
949 Mrs. {Bono Mack.} Thank you, Dr. Romer.

950 And I am going to begin the questioning. And I thank
951 all of the panel for your testimony and recognize myself for
952 5 minutes for questions.

953 Mr. Whyte, I would like to begin with you. And Dr.
954 Romer just spoke about this, too, but you state problem
955 gamblers could exacerbate their problems by gambling online
956 because of the use of credit and 24-hour availability. Would
957 restrictions on those factors reduce the problem, for
958 example, limited times and limits on credit? Do other
959 countries offering internet gambling currently have
960 restrictions to limit the use of credit and availability, and
961 if so, can you talk about their results?

962 Mr. {Whyte.} Yes, I can. There is some evidence from
963 Canada and Europe that there are supposed to be restrictions
964 that have been put into place which generally include, as you
965 say, limits on the use of certain types of payment
966 processing, limits on the time and money spent gambling seem
967 to be able to not necessarily intervene with pathological
968 gamblers who will keep gambling despite any and all barriers
969 put in their way. They seem rather to be better targeted at
970 those people that are at risk for gambling problems or they
971 are moderate problem gamblers. These restrictions, properly

972 tailored, can be and have shown to be effective in some
973 studies at stopping people from stepping over the edge and
974 developing severe gambling problems.

975 As Dan said, we are not entirely sure exactly what works
976 best, but we believe that there is enough evidence to show
977 that some of these interventions can be effective, and in
978 fact some of them can be much more successfully implemented
979 on the internet with account-based wagering than in a
980 traditional gambling forum.

981 Mrs. {Bono Mack.} Thank you.

982 Mr. Stevens, you suggest that any legislation
983 authorizing online gambling should allow tribal governments'
984 early entry with a period of exclusivity. Can you explain
985 the rationale for your position?

986 Mr. {Stevens.} Yes, I can. You know, I think it is
987 important to understand and appreciate what tribes have been
988 through and the history with the United States Government.
989 You know, if I could speak just quickly about my grandmother.
990 She is 101 years old and she lives in her own apartment
991 independently in an apartment that is assisted but not a
992 nursing home. And she lives in that apartment at 101
993 independently. She started out her life going to boarding
994 schools and working and wearing a uniform and disciplined for
995 being left-handed like my friend next to me and speaking her

996 language, you know, and, you know, leaving her family. The
997 family would go by the boarding school and not even be able
998 to wave or visit or look at your children. And again as we
999 approach a little bit emotional to bring it up because even
1000 though my grandma is doing fine and if you called her
1001 apartment on the reservation in Oneida, Wisconsin, you would
1002 probably find that she is not home. So she is involved in
1003 activities which she is a retired schoolteacher. She spent
1004 her whole life teaching the language and the culture that was
1005 attempted to be taken from her.

1006 And again, that is a success story, but really if you
1007 look at the way her life was, her grandfather who raised her
1008 was a Civil War veteran and he used to ride by the boarding
1009 school and throw candy but he would never look because the
1010 government said you couldn't even look at your kids. And
1011 again, that is a mild story about what our people have been
1012 through. Millions and millions of Indian folks when our
1013 first European contact, in spite of all those struggles and
1014 challenges that we have been through, we have been able to
1015 persevere and survive and fight back. And if anybody
1016 deserves to be at the front line in this industry, it is
1017 Native American people.

1018 Mrs. {Bono Mack.} Okay.

1019 Mr. {Stevens.} And at the very least equal footing,

1020 Madam Chair.

1021 Mrs. {Bono Mack.} Well, why is it important that
1022 legislation permit tribes to operate internet gaming without
1023 renegotiating their tribal-state compacts? What is the
1024 concern?

1025 Mr. {Stevens.} Well, I believe that that is a new
1026 industry and I believe that they shouldn't undo or attempt to
1027 amend the current law in order to accomplish that.

1028 Mrs. {Bono Mack.} Can you please clarify your principle
1029 regarding the preservation of tribal regulatory authority?
1030 Should we actually legalize online gaming? Can you speak to
1031 that and how do you see that authority affected by federal
1032 legislation to legalize online gaming?

1033 Mr. {Stevens.} Okay, I am sorry, Madam Chair. I
1034 misunderstood you.

1035 Mrs. {Bono Mack.} I actually think I missed a comma in
1036 there. So could you please clarify your principle regarding
1037 the preservation of tribal regulatory authority should
1038 federal legislation legalize online gaming?

1039 Mr. {Stevens.} I think that I spoke briefly to that in
1040 my testimony and quite extensively on it in my written
1041 testimony. The regulators in Indian Country have analyzed
1042 this and they are the ones responsible. The National Indian
1043 Gaming Commission is the only federal authority that has

1044 experience in gaming, so we feel like that in order to
1045 oversee this element of it, we should utilize experienced
1046 folks.

1047 Now, just by coincidence I have my--it is the nicest one
1048 I got but it is the National Tribal Gaming Commission and
1049 Regulators. It is a national association independent of NIGA
1050 and independent of the tribes that have worked to analyze the
1051 expertise and the important aspects of tribal regulation to
1052 make a stronger and able to adhere to the responsibilities to
1053 our constituents.

1054 Mrs. {Bono Mack.} I am sorry. I hate to cut you off
1055 but my time is up if you can wrap up in 5 seconds.

1056 Mr. {Stevens.} My bottom line is that we have asked
1057 these regulators nationwide if they are prepared to regulate
1058 this industry and they assured us that they are in strong
1059 preparation to do so.

1060 Mrs. {Bono Mack.} Thank you.

1061 All right. Again, my time has expired and I am pleased
1062 to recognize Mr. Butterfield for 5 minutes.

1063 Mr. {Butterfield.} I thank the chairman.

1064 Madam Chairman, I am among those who is beginning to
1065 understand I would say online gambling. I am beginning to
1066 understand that it could provide a great boost to our
1067 national economy and it could provide a boost for federal and

1068 State coffers. And so I am beginning to connect the dots and
1069 understand what this is about. Today should be the beginning
1070 of a robust discussion and this conversation certainly should
1071 be expanded as we go forward.

1072 As the chair pointed out, online gambling is a very
1073 complicated issue. I am beginning to see that. Other issues
1074 still warrant discussion. For example, the great State of
1075 California with 53 Representatives and the District of
1076 Columbia with a nonvoting Representative are already moving
1077 forward with intrastate online gaming even though its legal
1078 status is unclear given that the U.S. Justice Department
1079 believes the Wire Act prohibits all online gambling. I have
1080 to wonder, therefore, under the current state of play, is
1081 Justice going to shut these operations down once they are up
1082 and running? And there are other critical questions that
1083 need to be answered.

1084 We need to hear from California and D.C.; we need to
1085 hear from the Justice Department; we need to hear from other
1086 State and federal regulators who would be tasked with
1087 implementing and enforcing inter-regulatory framework
1088 regarding online gaming. This is an issue that warrants
1089 further review before this subcommittee. We have
1090 jurisdiction and we need to certainly inquire into that.

1091 In his testimony, Mr. Whyte notes that among the groups

1092 at high risk for gambling addiction are racial and ethnic
1093 minorities. I want to talk about that for a minute. He
1094 specifically identifies African Americans, among others, as
1095 being at high risk. Earlier this month, this subcommittee
1096 held a hearing on revisions to the Children's Online Privacy
1097 Protection Act Rule. The testimony of one of the witnesses
1098 for that hearing contained references to a study by the
1099 Sesame Workshop that included some interesting insights into
1100 the online habits of minority children. According to that
1101 study, African Americans and Hispanic children have less home
1102 internet access, but those that have access use the internet
1103 more than white children. African American children between
1104 the ages of 5 and 9 spend 41 minutes online per session.
1105 White children in contrast spend 27 minutes online per
1106 session. Hispanic children between ages 8 and 14 spend
1107 almost 2 hours online each day, 40 minutes more than white
1108 children. The study also pointed out that children from low
1109 income and ethnic minority homes were less likely to have
1110 adult guidance when accessing the internet. As a result,
1111 they were spending more time on lower-quality websites or on
1112 activities that wouldn't help them develop school-based
1113 skills.

1114 Now, Dr. Romer, let me try you, sir. I know your own
1115 work has focused on the prevalence of gambling among high

1116 school and college youth. However, I don't think it would be
1117 too much of a leap to assume that this tendency by younger
1118 minority children to use the internet more and to spend more
1119 time on lower-quality websites persists into high school and
1120 college. Given all of this, I am wondering whether you can
1121 speak to whether you have seen differences along racial and
1122 ethnic lines?

1123 Mr. {Romer.} There are racial and ethnic differences in
1124 gambling. We haven't seen it in terms of internet use partly
1125 because it has still been kind of small in our survey so I
1126 can't really talk to it. But from what you have said if
1127 there are these disparities that occur for kids who are
1128 online, I would fully expect that those kids to then make the
1129 same--

1130 Mr. {Butterfield.} The data seems to suggest that.

1131 Mr. {Romer.} Yeah.

1132 Mr. {Butterfield.} Yes. Do you have any thoughts about
1133 whether there might be particular implications for young
1134 minorities from online gambling that should be taken into
1135 account in the discussion about whether and how to go about
1136 recognizing some forms of online gambling as legal?

1137 Mr. {Romer.} Well, I mean are you saying--

1138 Mr. {Butterfield.} Is there anything in particular we
1139 could write into the law that would try to safeguard against

1140 this?

1141 Mr. {Romer.} Well, I don't know that you could write a
1142 law that would, you know, safeguard against particular people
1143 other than people who are prone to, you know, lack of
1144 control. So I think the thing you want to prevent is people
1145 from using online gambling sites who can't control their
1146 gambling. And anything you can do to warn them, to remind
1147 them, to keep them aware of the fact that they may be
1148 spending more than they have I think would be valuable. And
1149 you need to explain I think, as Kurt Eggert has said, people
1150 need to know what they are going to win on a site. I think
1151 that is a valuable thing to tell people at any age. But we
1152 don't want kids on there at all. I mean that is the goal.
1153 We don't want kids.

1154 Mr. {Whyte.} Another important aspect is to make sure
1155 that there are health services available if kids do get into
1156 trouble. And I think that is where, again, the impact on the
1157 minority community is disproportionate. There is less access
1158 to health services. We also understand that there is less
1159 access to, for example, services in Spanish and in other
1160 culturally specific services for Native Americans, Asian
1161 Americans, and others. So on the health side, regulation
1162 alone cannot adequately protect people from an addiction as
1163 we have known from drugs and alcohol and tobacco. You must

1164 have health services and we must have within those health
1165 services dedicated, culturally specific services available
1166 for both youth and adults to prevent, educate, treat, and
1167 research. That is the way that we are going to make the
1168 progress that gets to public health disorders.

1169 Mr. {Butterfield.} Thank you.

1170 Mrs. {Bono Mack.} I thank the gentleman.

1171 And chair would remind people that we have a 5-minute
1172 rule on questioning and answering as well if we can try to
1173 stick close to it. We will have a second round of
1174 questioning that way.

1175 The chair is happy to recognize Mr. Bass for 5 minutes.

1176 Mr. {Bass.} I thank the chairman. And I also want to
1177 thank my friend from Texas, Mr. Barton, for his courtesy. I
1178 have to preside at noon and the House is not in session now,
1179 and when you don't show up at noon, people get uptight very
1180 quickly.

1181 I am also quite perplexed by some of this discussion
1182 about this money that could be lost in internet poker. I
1183 know quite a few people who have played poker and I haven't
1184 met one yet that admits to ever losing anything. I will also
1185 point out that New Hampshire is, as we all know, first in the
1186 Nation presidential primary and it will remain so. It also
1187 happens to the first State to adopt a statewide lottery in

1188 1964. It has raised over \$4 billion and provided about \$1.3
1189 billion for public education in the State.

1190 My question and only question is for my former colleague
1191 from New York, Senator D'Amato. Senator, representing the
1192 poker players, in your organization's opinion, what impact
1193 would the passage of legislation permitting internet gambling
1194 have on State lotteries? And secondly, would your
1195 organization have any objection to allowing or giving the
1196 State lotteries the opportunity to also compete if you will
1197 in the internet poker business?

1198 Mr. {D'Amato.} Congressman, let me answer the second
1199 question first because that is an easier one to answer. We
1200 would have no objection whatsoever. As it relates to whether
1201 or not there has been an impact, we believe that the people
1202 who buy lottery tickets are generally not the same people and
1203 we don't believe they really compete. We believe that many
1204 will continue. If you look at the lottery tickets and their
1205 purchases, you will find that while the internet does play a
1206 role, most of it is at your commercial establishments. And
1207 so we don't see a conflict and we certainly have no objection
1208 to lottery tickets and the scrape-off tickets that the States
1209 put out there having that ability.

1210 I would also note that in New York, you presently have a
1211 situation where the revenues from the lotteries--I am very

1212 conscious of this--play a very substantial part in our
1213 State's economy and budget, and we want to protect that. I
1214 am certainly not advocating that we cut into that.

1215 But I make one other point. And the ranking member
1216 brought up the fact that there is a disparate impact and it
1217 would seem that the young minority children are addicted to a
1218 greater extent to the internet and to programs which are not
1219 those kind that you would generally want to encourage them is
1220 going to help them in school. And I hope I am paraphrasing
1221 your sentiments correctly. More reason to see to it that
1222 there is good, tight regulation as it relates to using the
1223 internet and poker in particular. There is no regulation
1224 now. There is nothing to stop these kids from getting on.
1225 If we want to eliminate those who unfortunately become
1226 involved at a young age, there is no verification required by
1227 these offsite groups. There is no way to stop or prevent
1228 them.

1229 And so I think it makes abundant sense if we want to do
1230 something to curtail this, the misuse by youngsters to have
1231 strong, tough regulations protecting the consumers,
1232 protecting the young people, seeing to it--I would like to
1233 hear some of Mr. Eggert's suggestions because we are
1234 certainly not opposed--to how do we give the kind of
1235 information so that players have a better playing field. So

1236 I think for all of those reasons that it is important that we
1237 move forward with this kind of legislation.

1238 Mr. {Bass.} Thank you very much, Senator. I appreciate
1239 your addressing my question as well as Mr. Butterfield's and
1240 Mr. Eggert's.

1241 Mr. {D'Amato.} Thank you, Congressman.

1242 Mr. {Bass.} And I yield back to the chairlady.

1243 Mrs. {Bono Mack.} Thank you, Mr. Bass.

1244 The chair recognizes Mr. Towns for 5 minutes.

1245 Mr. {Towns.} Thank you very much, Madam Chair and of
1246 course the ranking member, Mr. Butterfield, for having this
1247 hearing. I think this is a very, very important hearing.

1248 The question before this committee is what if any forms
1249 of online gaming should Congress consider? Over the course
1250 of the next several weeks, Congress will decide on how our
1251 Nation will begin to put its fiscal house in order. And this
1252 seems to be a way to get revenue. One of the many proposals
1253 that Congress will consider is easing the current restriction
1254 of online game. Currently under the Wire Act, online
1255 gaming is illegal. However, that has not stopped offshore
1256 gaming, websites from profiting off of the United States.
1257 Gaming industry experts have estimated that United States
1258 spent over \$16 billion in 2010 online poker alone. Some
1259 experts also suggest that revenues generated by online gaming

1260 would bring in significant tax revenues to the Federal
1261 Government that currently are directed to non-U.S. gaming
1262 companies. This additional revenue could be used to help
1263 balance our growing federal deficit without causing drastic
1264 cuts to entitlement programs that so many Americans rely on.

1265 While I am sympathetic to the view that more revenue is
1266 needed to help balance the federal budget, I am concerned
1267 with the unintended consequences of this proposal. So first
1268 I want to begin by asking you, Mr. Stevens, you know, I am
1269 not sure in terms of your real reasons for opposing any kind
1270 of change, what are your real reasons? Could you be very
1271 specific?

1272 Mr. {Stevens.} I don't think I understood your
1273 question, sir.

1274 Mr. {Towns.} I understand that you oppose this, right,
1275 and you mentioned the fact that there were certain agencies
1276 that were not involved in it, you know. What are the reasons
1277 as to why you might oppose it?

1278 Mr. {Stevens.} And again, Representative Towns, we had
1279 several, as much as 12-plus meetings on this issue, and the
1280 Indian tribes are opposed to this discussion based on 6
1281 points. Indian tribes are sovereign governments with a right
1282 to operate, regulate, tax, and license internet gaming and
1283 those rights must not be subordinated to any non-federal

1284 authority. Internet gaming as authorized by Indian tribes
1285 must be available to customers in any locale where internet
1286 gaming is not prohibited. Consistent with long-held federal
1287 policy, tribal revenues must not be subject to tax. Existing
1288 tribal government rights under the tribal state compacts and
1289 Indian Gaming Regulatory Act must be respected. The
1290 legislation must not open up any gaming regulatory act and
1291 federal legislation of internet gaming must provide positive
1292 economic benefits for Indian Country. Those are the 6 points
1293 that were developed in a series of meetings with tribal
1294 leaders from throughout the country.

1295 Mr. {Towns.} You know, this committee must ensure that,
1296 you know, all the stakeholders involved are able to benefit
1297 from any legislation that may take shape over the coming
1298 weeks and months. You know, so we are very sensitive to that
1299 as well. But you know, my concern would be the fact that the
1300 oversight and the fact that we make certain that, you know,
1301 it is being done fairly. And of course that would be a real
1302 concern because I think that we have to look at ways to be
1303 able to deal with the deficit. And based on what everybody
1304 is saying, this is a way to attract revenue.

1305 Now, I am also concerned about youth and all of that but
1306 I think that based on programs that are in place that we can
1307 sort of look at that and be able to make certain that they

1308 are safe and that they are not involved in any way. And any
1309 time you have anything, you are always going to have some
1310 folks that take it to the extreme. I think that what we need
1311 to do is to make certain if they do, that there is something
1312 in place, you know, for them. I mean so you can name almost
1313 anything and I can tell you, you know, how someone has gone
1314 and taken it to the extreme. You name it. I think the main
1315 thing, though, is to try to put safeguards in place. And I
1316 think that is an issue that we need to talk about as to
1317 safeguards that we can put in place, programs that we can put
1318 in place that will make it possible for people to continue to
1319 function without destroying families.

1320 So I want to thank all of you for your testimony and I
1321 am going to respect the 5 minutes.

1322 Thank you, Madam Chair.

1323 Mrs. {Bono Mack.} Thank you, Mr. Towns. I will
1324 remember you at Christmas for that.

1325 And I am pleased to recognize I think the best poker
1326 player in Congress, Mr. Barton, for 5 minutes.

1327 Mr. {Barton.} Well, I don't know about that. I haven't
1328 got some bills passed through the Senate yet. That is where
1329 you play real poker up here is when you play with the Senate
1330 at the end of the year on getting your bills through.

1331 Mr. {Butterfield.} Mr. Engle wouldn't like that either.

1332 Mr. {Barton.} That is exactly right.

1333 Mr. {Butterfield.} He considers himself world-class.

1334 Mr. {Barton.} First of all, Madam Chairwoman, I would
1335 ask unanimous consent to put into the record a letter to you
1336 from Frank Fahrenkopf, who is the president of the American
1337 Gaming Association and written testimony that he was prepared
1338 to give had there been room on the panel. I am told this has
1339 been cleared by your staff and the minority staff and that it
1340 is not a problem.

1341 Mrs. {Bono Mack.} Hearing no objection, so ordered.

1342 [The information follows:]

1343 ***** COMMITTEE INSERT *****

|
1344 Mr. {Barton.} Okay, thank you.

1345 My first question to the distinguished panel, is there
1346 any one of you who believes that millions of Americans are
1347 not playing poker for money on the internet right now? Let
1348 the record show that they all are staring. So is there any
1349 of you that believe it would be possible to prevent American
1350 citizens who wish to play poker for money on the internet
1351 from doing so? The gentlelady with Fair Play.

1352 Ms. {Aftab.} Underage gamblers we would be able to deal
1353 with. I was part of the Berkman Center, the Harvard Center
1354 Age Verification Group, the Internet Safety Technology
1355 Taskforce, and although you can't prove for the purposes of
1356 COPPA who is under the age of 13, you certainly can prove who
1357 is over the age of 21. So we would be able with the right
1358 things in place--

1359 Mr. {Barton.} I will stipulate that whatever we can do
1360 if the bill moves to prevent underage poker players, you tell
1361 me how to do it, and we will put it in the bill.

1362 Ms. {Aftab.} We actually had a study that was done at
1363 the Kennedy School at Harvard with Dr. Sparrow, and it was
1364 presented last year at the hearings with Barney Frank. And
1365 if anyone on the subcommittee would like that, I am happy to
1366 enter that into additional testimony--

1367 Mr. {Barton.} As the chief sponsor of the bill, I can
1368 assure you that I don't want underage poker players, so we
1369 will work with you on that.

1370 I want to ask the gentleman who is representing the
1371 Indian tribes, under the proposed legislation that I have
1372 introduced, a State that wishes not to allow its citizens to
1373 play poker for money on the internet simply opts out. We
1374 give that same option to the tribes. Why would that not
1375 protect your sovereignty? If you don't want your citizens in
1376 the Indian Nation to play, all you have to do is send a
1377 letter to the Secretary of Commerce that you don't want them
1378 to play.

1379 Mr. {Stevens.} I am sorry. Could you restate that
1380 question, sir?

1381 Mr. {Barton.} Well, we respect sovereignty. We respect
1382 State sovereignty and we respect the Indian Nation's
1383 sovereignty, so the bill that I have introduced, it gives the
1384 governor of a State--I would have to check what it does for
1385 the Indian tribes. I would assume it would give the chief or
1386 the tribal council the same right that we give a governor.
1387 If you don't want to let the citizens within your boundaries
1388 play poker for money on the internet, you simply opt out so
1389 they can't play. So we treat the Indian tribes the same as
1390 we treat the States. That seems pretty fair to me.

1391 On the other hand, if you think it is okay for them to
1392 play, then you play by the same rules that everybody else
1393 plays by in terms of regulating poker players for money on
1394 the internet. I mean that seems to me to be a very fair
1395 position. We are not anti-Indian; we are not pro-Indian. We
1396 are fair to all concerned.

1397 Mr. {Stevens.} I think in the States on behalf of the
1398 tribes, I think that covers it, but we want to be recognized
1399 as tribal governments appropriately under the law.

1400 Mr. {Barton.} Well, that is beyond the scope of the
1401 poker bill I think. I played poker at an Indian casino in
1402 Oklahoma so I am with you and I am 1/32nd Cherokee. So I am
1403 1/32nd with you there on that.

1404 Mr. {Stevens.} Well, sir, I am a full-blooded Oneida
1405 from Wisconsin who used to engage in New York State. And
1406 under the Jay Treaty, you know, we are encouraged to do
1407 commerce for not just with other Indian tribes but other
1408 regions and even across into our friends in the First Nations
1409 in Canada.

1410 Mr. {Barton.} Well, that may be larger than the scope
1411 of this bill, but we are not trying to treat Indian tribes
1412 for poker playing any differently than anybody else.

1413 Senator D'Amato, do you think there are any technical
1414 issues in terms of addressing problem poker players and

1415 underage poker players that couldn't be addressed in this
1416 legislation?

1417 Mr. {D'Amato.} We definitely have the technology now,
1418 Mr. Congressman, to deal certainly with problem gamblers
1419 where there is nothing now restraining them. There is no
1420 impact. There is no one out there looking. And we can build
1421 into the system the kind of program that can identify or they
1422 can be placed on a list where they will be not allowed in if
1423 they go over a certain amount of money to participate. Is
1424 this going to solve all the problems? No. But it certainly
1425 will eliminate and curtail what is taking place now--no
1426 protection for the kids or the problem gamblers.

1427 Mr. {Barton.} My time is expiring. Let me simply say
1428 to Mr. Eggert before I yield back, this issue of the bots,
1429 these mechanical or automatic players, whatever needs to be
1430 done to prohibit that and outlaw it, if you have got proposed
1431 language, if you will give it to the committee staff. We
1432 absolutely don't want to set up a system where somebody in
1433 this audience can play poker online for money if their
1434 governor says it is okay and play against a computer. That
1435 is not what we are trying to do. So if you have got a
1436 program that can prevent it or language to prohibit, we will
1437 certainly look at it positively.

1438 With that, I yield back, Madam Chairwoman.

1439 Mrs. {Bono Mack.} I thank the gentleman. And the chair
1440 recognizes Mr. Lance for 5 minutes.

1441 Mr. {Lance.} Thank you, Madam Chair, and good morning
1442 to you all. This is a subject that interests me greatly,
1443 last term on the Financial Services Committee and this term
1444 on the Energy and Commerce Committee.

1445 Louis Freeh could not be here today, Madam Chair. He
1446 has a statement that states in part, ``addressing a growing
1447 threat that can mutate as rapidly as illegal internet-based
1448 gambling operated outside of the country is challenging in
1449 and of itself for federal law enforcement.'' And he goes on
1450 to say, ``online poker stands apart because it is a game that
1451 millions of Americans play at home with friends and family or
1452 even at charity fundraisers. Unlike most games played
1453 against other players rather than against the house and
1454 relies on a set of practiced skills, unlike most other games,
1455 it is also not defined as illegal in other statutes.
1456 Clarifying which online games are illegal also creates an
1457 opportunity to establish a strict and transparent regulatory
1458 regime for online poker that allows adult consumers to play
1459 safely and securely while ensuring accountability to tax and
1460 law enforcement authorities.''

1461 Madam Chair, I would request unanimous consent to
1462 introduce Mr. Freeh's statement into the record.

1463 Mrs. {Bono Mack.} Without objection, so ordered.

1464 [The information follows:]

1465 ***** COMMITTEE INSERT *****

|
1466 Mr. {Lance.} Thank you very much, Madam Chair.

1467 Ms. Aftab referenced a wonderful study in my judgment
1468 from Malcolm Sparrow at the Kennedy School of Government up
1469 at Harvard titled, ``Can Internet Gambling be Effectively
1470 Regulated: Managing the Risks.'' And while I will not ask
1471 that the whole study be placed into the record, I would read
1472 a pertinent part that ``notwithstanding the current
1473 prohibitionist legal and regulatory approach, millions of
1474 U.S. residents gamble online through offshore gambling sites.
1475 The establishment of a well regulated industry under U.S.
1476 jurisdiction would offer far better protection against online
1477 gambling's potential social harms than outright
1478 prohibition.'' That is my considered view and certainly
1479 those who are interested in reviewing the full study can
1480 contact my office or I am sure Ms. Aftab.

1481 To Mr. Stevens, good morning to you. And sir, I
1482 certainly respect your opinions and I recognize your
1483 sovereignty and honor your sovereignty. You mentioned that
1484 tribes should not be subject to tax or third-party regulation
1485 based on their sovereign status. I respect the status of
1486 Indian tribes but isn't it true that tribes in gaming and
1487 other businesses can make a sovereign decision to do business
1488 in the 50 States outside of their reservation lands and

1489 subject themselves to State and federal regulation? For
1490 example, Mohican Sun is licensed in Pennsylvania with a
1491 casino, although Mohican Sun is obviously in Connecticut, and
1492 the Florida Seminoles purchased Hard Rock. If tribal gaming
1493 is to be expanded beyond the borders of the reservation
1494 through the internet, isn't it inevitable that tribes will
1495 have to submit to some sort of regulation other than that of
1496 their own tribal governments?

1497 Mr. {Stevens.} You know, I think that our regulation is
1498 established and prepared for to deal with this type of
1499 situation. I think that dealing with sovereign governments
1500 doing business from their sovereign territories are different
1501 than some of the areas where they have branched out and again
1502 appropriately games and other economic endeavors to reach
1503 beyond gaming as far as building our future.

1504 Mr. {Lance.} Thank you. Certain Indian tribes have
1505 been pushing the idea of regulating internet gaming at the
1506 State level, I think that this might mean a challenge for
1507 tribes in small States. In poker, for example, where you
1508 need a critical mass of players to operate a site, how could
1509 a tribe in Rhode Island or South Dakota or even Connecticut
1510 hope to participate? It seems to me that this would only
1511 benefit a small number of tribes in California and the other
1512 larger States.

1513 Mr. {Stevens.} Yeah, I think that we have tried to
1514 analyze where tribes are working through coalitions and
1515 working within their State organizations, and so we have
1516 yielded to the State tribal authorities to handle those types
1517 of situations.

1518 Mr. {Lance.} Thank you for your response.

1519 And finally--and my time is about to expire--let me say
1520 it is an honor for me, Madam Chair, to be in the same
1521 committee hearing room with Senator D'Amato. I was rooting
1522 for his election as a graduate student at Princeton in 1980,
1523 and as I recall, Senator D'Amato, I wagered \$10 you would win
1524 your primary and another \$10 that you would win the general
1525 election. This was not on the internet because, of course,
1526 it hadn't been--

1527 Mr. {D'Amato.} You should have gotten some good odds.

1528 Mr. {Lance.} I was confident in your public service,
1529 sir.

1530 Thank you, Madam Chair.

1531 Mrs. {Bono Mack.} I thank the gentleman and now
1532 recognize Mr. Harper for 5 minutes.

1533 Mr. {Harper.} Thank you, Madam Chair.

1534 I welcome each of you here today and appreciate you
1535 taking time out of your schedule, and it has been interesting
1536 to hear the input from each of you and the concerns well

1537 noted of what do you do about preventing or reducing the
1538 possibility of problem gamblers. You know, that is something
1539 we would all agree that there are certain people that
1540 shouldn't gamble. There are some that gamble that maybe need
1541 to have limits on them. And it is one thing with the
1542 physical location where you can do that, but to have it
1543 online with the anonymity, with all of the concerns that can
1544 go on is that I have not been given any real comfort here
1545 that since it can't be regulated offshore or in illegal sites
1546 how we are actually going to be able to do that if this takes
1547 what appears to be an interest in another step.

1548 So I know we have heard different opinions here, some
1549 that are trying to decide. The idea of online gambling,
1550 legal or illegal, gives me great concern. But with that, I
1551 do thank you for your time here.

1552 And I guess one question I would have for each of you is
1553 do any of your organizations receive any money from offshore
1554 casinos? Does your organization receive any funds or
1555 contributions from offshore casinos? And I will start with
1556 Mrs. Aftab.

1557 Ms. {Aftab.} Fair Play USA does not accept any money
1558 from offline casinos. And if I could address just for a
1559 moment unlike other aspects of the internet where you are
1560 looking for anonymity, when you are dealing with online

1561 gambling, you need to look for authentication and
1562 verification of identity.

1563 Mr. {Harper.} Sure.

1564 Ms. {Aftab.} And that, given your expertise already in
1565 the subcommittee, you will understand that it will allow you
1566 to track problem gamblers and allow them to opt into programs
1567 to protect them. So this is the one area where we are not
1568 looking for anonymity.

1569 Mr. {Harper.} All right.

1570 Ms. {Aftab.} But Fair Play USA does not accept money to
1571 my knowledge from anyone offshore.

1572 Mr. {Harper.} Thank you. Mr. Stevens?

1573 Mr. {Stevens.} Not to my knowledge, sir.

1574 Mr. {Harper.} Mr. Whyte?

1575 Mr. {Whyte.} We have received a donation from companies
1576 that operate offshore. We accept no restrictions on those
1577 donations, but yes, we have received some money.

1578 Mr. {Harper.} And how many different entities?

1579 Mr. {Whyte.} I think just one. We have a long
1580 tradition of encouraging that anybody that operates gambling
1581 should contribute to responsible gambling, so Mississippi
1582 Casinos have donated to our organization. We accept again no
1583 restrictions on any money we receive from any source,
1584 especially from the gaming industry.

1585 Mr. {Harper.} But you have received funds from offshore
1586 sources?

1587 Mr. {Whyte.} Yes.

1588 Mr. {Harper.} Okay. Senator D'Amato?

1589 Mr. {D'Amato.} Yes, we have. And I would note, though,
1590 we encourage this legislation so that we will permit onshore
1591 activities and we say it should not be just offshore.

1592 Mr. {Harper.} Okay.

1593 Mr. {D'Amato.} And to your question, Congressman, as it
1594 relates to being able to ensure the age, right now there is
1595 nothing that restricts youngsters basically and requires age
1596 identification. We would say that we have the technology
1597 that is developed that is used today in banking, online
1598 banking, as it relates to the kinds of proofs necessary for
1599 people to conduct banking activities. And it is that same
1600 process that we would utilize here.

1601 Mr. {Harper.} Thank you, Senator.

1602 Mr. {D'Amato.} Thank you.

1603 Mr. {Harper.} Professor Eggert?

1604 Mr. {Eggert.} I work for Chapman University. I have no
1605 idea who their donors are.

1606 Mr. {Harper.} Sure.

1607 Mr. {Egger.} I hope there are many, though.

1608 Mr. {Harper.} Dr. Romer?

1609 Mr. {Romer.} Yeah, so the Annenberg Public Policy
1610 Center doesn't accept money from any commercial--

1611 Mr. {Harper.} I think it is important that we just kind
1612 of know where we are on this, but it doesn't appear to me
1613 that there are really being any real steps taken that are
1614 being used to block--perhaps the way to deal with the
1615 offshore or the illegal casinos is to come up with ways to
1616 block payment to those sites. That is something that I think
1617 we could develop more. But, you know, we certainly have some
1618 that have argued that we should develop legalized online
1619 gambling in this country much the same way that we have heard
1620 others argue that we should legalize certain drugs. So I
1621 think, you know, this is something that I think we need much
1622 more to look at. I am not confident at all that we have the
1623 tools in place to do what we need to do.

1624 And the question in looking back and preparing for this,
1625 Senator D'Amato, I know in September of this year, the U.S.
1626 Attorney in New York referred to Full Tilt Poker as a global
1627 Ponzi scheme and, you know, apparently thousands of online
1628 poker players out about \$300 million, Ultimate Bet, another
1629 organization that I believe you represent--does Poker Players
1630 Alliance receive dues or contributions from either Full Tilt
1631 Poker or Ultimate Bet?

1632 Mr. {D'Amato.} No, we don't.

1633 Mr. {Harper.} Okay.

1634 Mr. {D'Amato.} And again, Congressman, I don't mean to
1635 beat a dead horse to death, it is already killed, but the one
1636 way to deal with Full Tilt and people like that who have
1637 taken advantage of the system is to provide a tough, strong,
1638 enforceable licensing bill. And I mean tough.

1639 Mr. {Harper.} Um-hum.

1640 Mr. {D'Amato.} There should be a requirement as there
1641 has been for Poker Stars--I mention them because they are the
1642 largest offshore--where those dollars are segregated and
1643 placed in a special account so that these kinds of things
1644 can't take place. Had we had legislation, we could have
1645 prevented players from being taken advantage of and that is
1646 why it cries out for regulation.

1647 Mr. {Harper.} And Senator D'Amato, with all due
1648 respect, perhaps it is better that we not go down this road,
1649 we work on ways to protect people against offshore sources.
1650 And with that I yield back.

1651 Mrs. {Bono Mack.} The gentleman's time has expired.

1652 The chair recognizes Ms. Blackburn for 5 minutes.

1653 Mrs. {Blackburn.} Thank you all for being here. I will
1654 have to admit this is a feisty debate and a wonderful
1655 conversation and I think many of our Members are like me. We
1656 have got friends that are for it and friends that are against

1657 it. And it is good to have you all here and to listen to
1658 what you have to say.

1659 Mr. Whyte, I want to come to you and, Senator D'Amato, I
1660 am glad that the two of you are sitting there in the center,
1661 kind of like these debates. I have got the two people I want
1662 to talk to right in the middle.

1663 Now, Mr. Whyte, you said that you didn't think that
1664 having online poker would expand the use and so that is
1665 curious to me. I would like for you to talk about if there
1666 is something in the American culture that is different about
1667 our addictive behavior? And then I would like to know if it
1668 is not going to increase participation, then why are entities
1669 so anxious to offer online gambling? Mr. Whyte first.

1670 Mr. {Whyte.} Thank you very much. That is a great
1671 question. It does seem that right now the participation in
1672 poker is generally very low. You know, whether or not
1673 legalization would dramatically increase that is an open
1674 question. In the U.K., for example, it has not except among
1675 young men. Young men do seem to show in replication surveys
1676 in the United Kingdom more propensity to gamble online. So
1677 there may be--

1678 Mrs. {Blackburn.} Okay. Now, let me interrupt you
1679 right there. And then, Mr. D'Amato, I want you to weigh in
1680 on this. You mentioned the U.K.

1681 Mr. {D'Amato.} Yes.

1682 Mrs. {Blackburn.} So what are the successes of the
1683 European jurisdictions that have licensed and regulated
1684 internet gambling and what are their mistakes? So the
1685 lessons learned, basically.

1686 Mr. {Whyte.} Sure. The lessons that we take away from
1687 the European experience is that you have to have a balanced
1688 approach with both regulation and public health protections.
1689 Obviously, in a country like the U.K., there is an extensive
1690 social welfare, a health system to make sure that if people
1691 do get into trouble, they have resources to go.

1692 Mrs. {Blackburn.} Okay. So they have got a safety net.

1693 Mr. {Whyte.} Yes, ma'am.

1694 Mrs. {Blackburn.} Senator D'Amato?

1695 Mr. {D'Amato.} Well, I think that Mr. Whyte has touched
1696 on it. Number one, we can and should provide revenues and I
1697 think \$50 million that he has mentioned that should be there
1698 to treat youngsters, to treat addicted people, to deal with
1699 their problem, easily could be made available with the
1700 revenues that would be generated from online poker players.

1701 Robust verification, we can do that today so that we
1702 know who it is that is playing and we can keep that youngster
1703 off. We have learned that. Seeing to it that funds are
1704 utilized and segregated as they have in Europe to keep the

1705 kind of thing that Full Tilt engaged in where they took
1706 monies that belonged to the players and distributed them out.
1707 So there are those things that we have learned that they have
1708 done well and we can expand upon them. We can build on them
1709 and bring those protections here.

1710 Mrs. {Blackburn.} Okay. If I may interrupt you right
1711 there and I have got 1-1/2 minutes left, and I want to start
1712 with Ms. Aftab and work down. I would like to have each of
1713 you answer. Looking at brick-and-mortar gambling and the
1714 rules and regulations that apply in a brick-and-mortar sense,
1715 should those same rules and regulations apply in the online
1716 sense and should those two be paired up? And just one right
1717 after another.

1718 Ms. {Aftab.} Yes, plus more. Because of the nature of
1719 the technology, we can do a lot more with authentication,
1720 controls, verification--

1721 Mrs. {Blackburn.} Okay.

1722 Ms. {Aftab.} --so at least that much.

1723 Mrs. {Blackburn.} Okay, Mr. Stevens?

1724 Mr. {Stevens.} Yes, we believe not, two different forms
1725 of gaming--

1726 Mrs. {Blackburn.} Two completely different forms?

1727 Mr. {Stevens.} Yeah, and our folks are working on that,
1728 our national--our regulators--

1729 Mrs. {Blackburn.} Okay. Mr. Whyte?

1730 Mr. {Whyte.} Yes, but more. I agree with Parry.

1731 Mrs. {Blackburn.} Yes, but more. Senator?

1732 Mr. {D'Amato.} Well, I think you have the opportunity
1733 to be much more vigilant as it relates to the utilization of
1734 technology and knowing who the people are, verification, et
1735 cetera. It is easier to do.

1736 Mrs. {Blackburn.} Okay. Mr. Eggert?

1737 Mr. {Eggert.} I think you need more in the internet
1738 sense, especially given the problem of bots, which I think
1739 you can't just ban. And if that is not dealt with, the
1740 internet poker is going to have huge problems.

1741 Mrs. {Blackburn.} Okay. Doctor?

1742 Mr. {Romer.} Yeah, I think I mentioned some thoughts
1743 about how you can put things online that you typically
1744 wouldn't have in a casino, you know, a clock, wins, losses,
1745 that kind of thing--

1746 Mrs. {Blackburn.} Thank you.

1747 Mr. {Romer.} --that would remind people that they are
1748 going over their limit.

1749 Mrs. {Blackburn.} Thank you. My time has expired. I
1750 yield back.

1751 Thank you, Madam Chair.

1752 Mrs. {Bono Mack.} I thank the gentlelady.

1753 And the chair recognizes Mr. Stearns for 5 minutes.

1754 Mr. {Stearns.} Thank you, Madam Chair.

1755 Mr. Whyte, is internet gambling allowed for blackjack,
1756 poker, roulette, and other things in the European Union?

1757 Mr. {Whyte.} It depends on the State. The regulation
1758 is quite broad, but in general what we see is a lot of poker
1759 and sports gambling. Sports gambling in particular is a big
1760 driver of gambling on the internet in Europe.

1761 Mr. {Stearns.} But they also have poker?

1762 Mr. {Whyte.} Yes. Yes, sir.

1763 Mr. {Stearns.} Now, if I go to the 27 countries in the
1764 European Union, would all of them have poker?

1765 Mr. {Whyte.} The law in the European Union is very
1766 complex. They are trying to harmonize that right now. It is
1767 not my understanding that poker is universally available
1768 across the European Union.

1769 Mr. {Stearns.} Is blackjack universally available?

1770 Mr. {Whyte.} I believe that is far less available.

1771 Mr. {Stearns.} And what about roulette or slot machines
1772 on the internet?

1773 Mr. {Whyte.} They certainly exist both in the
1774 legalized, regulated framework in the EU and also, of course,
1775 on, you know, the second tier of unregulated websites that
1776 always seem to flourish regardless of legality.

1777 Mr. {Stearns.} Ms. Arab?

1778 Ms. {Aftab.} Aftab.

1779 Mr. {Stearns.} Aftab. How do you do identification
1780 with children? You know, with pornography, you can't stop it
1781 because they just ask are you over 18? They say yes and away
1782 they go. I mean how would you do this to protect the family
1783 and the children--or even children that are latchkey that are
1784 home and their parents aren't there--from gambling?

1785 Ms. {Aftab.} Well, we don't age verify children. We
1786 age verify adults so that if the age is set at 21 and older,
1787 there are many indicators we have of somebody being the age
1788 of 21. They may be registered voters, they may have drivers'
1789 licenses, they may have bank accounts that have already been
1790 authenticated, they may be holding jobs. There are many
1791 other ways where they can be authenticated.

1792 Mr. {Stearns.} How would you authenticate in this case
1793 if we made poker legal?

1794 Ms. {Aftab.} What I would do is set a goal and the goal
1795 is we authenticate that they are 21 and older using the best
1796 methods that are available at the time, as opposed to locking
1797 into a technology that is improving all the time.

1798 Mr. {Stearns.} So you have sort of a voter ID?

1799 Ms. {Aftab.} You may use a voter ID, you may use--

1800 Mr. {Stearns.} License?

1801 Ms. {Aftab.} --homeownership, you may be using rental
1802 records. There are so many--

1803 Mr. {Stearns.} And who would keep that and who would
1804 verify and keep the record up to date?

1805 Ms. {Aftab.} There would be a third-party verification
1806 system that would be built in and required or at least those
1807 standards that are applied. And the benefit of this is once
1808 you get the professionals who have a financial stake in this,
1809 you are going to get the best practices and the best that you
1810 can get because they don't want kids on there.

1811 Mr. {Stearns.} No, I know but just--

1812 Ms. {Aftab.} And by putting--

1813 Mr. {Stearns.} --like we have an e-verify program that
1814 we, you know, took a long time to get that working and in
1815 some cases it is not accurate, so you have confidence that we
1816 could set up a third-party verification for children--

1817 Ms. {Aftab.} Yes, but not of children.

1818 Mr. {Stearns.} I mean for adults.

1819 Ms. {Aftab.} Of adults, absolutely. And there is a
1820 large federal--

1821 Mr. {Stearns.} So if a 17-year-old is working or a 19-
1822 year-old is working--

1823 Ms. {Aftab.} Well, they may but we know that they are
1824 17.

1825 Mr. {Stearns.} What?

1826 Ms. {Aftab.} So we know that they are 17 years old. So
1827 we would require--whatever technology at the time would let
1828 us know that that person has been verified of being 21 and
1829 older, not just a credit card. This is not COPPA. This is
1830 something far more that would require several levels of
1831 authentication that this person is 21 and older. And there
1832 are a lot of those technologies out there now. And actually,
1833 the Federal Government is now looking at--in addition to
1834 Congress we are seeing it out of the White House and a lot of
1835 other departments that are looking at verification
1836 authentication methods to identify who people are, how old
1837 they are, and where they are really from.

1838 Mr. {Stearns.} I understand that you can't do internet
1839 gambling because we passed the law here in Congress, but in
1840 Nevada aren't they doing it on Blackberrys that right now you
1841 can gamble intrastate? In other words, if I am in Nevada
1842 today, can't I gamble off my Blackberry today?

1843 Mr. {Whyte.} Yes, sir. It is called remote gambling
1844 and it is almost a wireless form of gambling. It is allowed
1845 within--

1846 Mr. {Stearns.} And bet money?

1847 Mr. {Whyte.} Yes.

1848 Mr. {Stearns.} Since the law says you can't use your

1849 credit card, you can't use deposits, you can't use money
1850 transfers, how can Nevada--

1851 Mr. {Whyte.} Think of it a little bit like off-track
1852 betting or even more so like having a telephone account for a
1853 State that allows horse racing where you can call in your
1854 bets. This is essentially the same sort of system where it
1855 is regulated within a State or within a property but you are
1856 able to use a wireless device to access your account and
1857 place a wager there from within that property.

1858 Mr. {Stearns.} Now, how do the authorities in Nevada
1859 protect children from picking up their parents' Blackberry
1860 and gamble?

1861 Mr. {Whyte.} Well, it is not Blackberry. It is a
1862 specific custom device that is available. It is treated
1863 almost like a gaming device--

1864 Mr. {Stearns.} Well, let us say the parents have that
1865 device--

1866 Mr. {Whyte.} Right.

1867 Mr. {Stearns.} --leave it on the dining room table--
1868 what she indicated is this identification program. Do they
1869 have that in place now?

1870 Mr. {Whyte.} I am not an expert on this but again I
1871 think--

1872 Mr. {Stearns.} Do you care to comment?

1873 Mr. {Whyte.} --you have to use both enforcement and
1874 prevention that--

1875 Ms. {Aftab.} Yeah, to my knowledge, States do not have
1876 an age verification system in place, which is one of the
1877 reasons we need this. We have a problem that I believe only
1878 you can solve because there is nothing out there now. There
1879 are no systems, there are no best practices, there is no
1880 baseline to keep kids off, to help parents with this, to deal
1881 with senior citizens and scams, helping law enforcement do
1882 what they need to do. Right now there is nothing.

1883 Mr. {Stearns.} Yeah.

1884 Ms. {Aftab.} We need to do something and with due
1885 respect, when we are looking at ways to control what money is
1886 being spent, that is what UIGEA is all about. And
1887 unfortunately, in the same way kids can get around all these
1888 issues, a lot of the people who are trying to gamble can,
1889 too. They pretend they buy towels, they miscode it and they
1890 are able to use the financial systems to do this.

1891 Mr. {Stearns.} Thank you, Madam Chair.

1892 Mrs. {Bono Mack.} I thank the gentleman and now
1893 recognize Dr. Cassidy for 5 minutes.

1894 Dr. {Cassidy.} Thank you. And may I begin by wishing
1895 Madam Chair a happy 29th birthday.

1896 Mrs. {Bono Mack.} I thank the gentleman very much.

1897 Dr. {Cassidy.} Mr. Whyte, did I hear you say that you
1898 don't think that if this law passes that there would be an
1899 increase in internet gambling in the United States?

1900 Mr. {Whyte.} Well, not necessarily significant
1901 increase.

1902 Dr. {Cassidy.} Well, now, I got to wonder why Google
1903 ads are even purchased. I would just say recently I was
1904 looking at the Minnesota Vikings football team and all of a
1905 sudden on my sidebar I had all sorts of things about
1906 Minnesota. Do I want to take a vacation, did I want to do
1907 this, did I want to do that? Now, why is somebody buying
1908 that, number one; and number two, my intuition is to think
1909 you are wrong. There is a large settlement recently in which
1910 Google is paying the Federal Government for running
1911 advertisements for overseas pharmacies.

1912 Mr. {Whyte.} Um-hum.

1913 Dr. {Cassidy.} So that tells me that somebody thought
1914 Google was an effective enough advertiser to purchase for
1915 overseas pharmacies. Why would that not yield a significant
1916 increase in gambling?

1917 Mr. {Whyte.} Well, certainly, we may very well be
1918 wrong, and I think that is one the reasons why we are calling
1919 certainly for health-based research because it is very
1920 unclear. But the experience in other jurisdictions seems to

1921 suggest that those people that gamble online who are prone to
1922 and want to gamble online are already doing so regardless of
1923 the legality of the law. But certainly, yes, we have grave
1924 concerns that--

1925 Dr. {Cassidy.} Just because I have limited time, it
1926 reminds me of blue laws. I think I know from my medical
1927 training that if a county has a blue law, it still has
1928 alcoholics but it has fewer drinkers and therefore fewer
1929 alcoholics. In effect, this is a blue law, correct?

1930 Mr. {Whyte.} Yes, sir.

1931 Dr. {Cassidy.} Ms. Aftab, do we have data on the
1932 prevalence of underage gambling in countries--I don't know; I
1933 am asking. I am not advocating or challenging--prevalence of
1934 underage gambling in jurisdictions in which they do require
1935 the sort of verification you are describing?

1936 Ms. {Aftab.} Yes, and it is in the report that we put
1937 together with Dr. Sparrow, so to the extent that is entered
1938 into the record, we have it there.

1939 There are certain countries, in particular in the U.K.,
1940 that have looked at the capability of locking kids out by
1941 requiring age verification systems that work and they have
1942 been very, very effective. So it is out there and it is
1943 getting better by the minute.

1944 Dr. {Cassidy.} Mr. Eggert, I really liked your

1945 testimony, man. I kept on reading your testimony thinking if
1946 we think we can restrict any sort of super bot or some smart
1947 kid from gaming--excuse the pun--system, your testimony
1948 suggests to me that we cannot. There is going to be some kid
1949 who has got his buddy right there and the buddy is going to
1950 be typing in what all the cards are. And so even if the bot
1951 is not resident upon the computer which is accessing the
1952 internet, it is nonetheless telling him what bet to place.
1953 Reasonably speaking, is there any way to restrict data mining
1954 to find weaker players, super bots to play, et cetera?

1955 Mr. {Eggert.} Well, that is an interesting question.
1956 The recent American Gambling Association White Paper
1957 addresses that very question, and in the text of the paper it
1958 says, you know, sites can ban bots. But there is a footnote
1959 that says if somebody is using a bot to guide them so the bot
1960 isn't playing but it is somebody playing with the bot given
1961 them advice, there is no way to restrict that. I know of no
1962 way to prevent somebody from having a bot on one computer
1963 telling him what to play on another computer. And so this is
1964 a huge problem for the industry to the extent that legal
1965 industry or illegal in that recreational gamblers don't want
1966 to go on their poker site and get killed by somebody using a
1967 bot. And that is going to happen more and more as bots get
1968 smarter and smarter. There are international competitions

1969 now to design the best poker-playing bot. And they are doing
1970 a darn good job, and they are just going to get better and
1971 better until they can beat anybody in this room or almost
1972 anybody--

1973 Dr. {Cassidy.} Even Joe Barton?

1974 Mr. {Eggert.} Even him.

1975 Dr. {Cassidy.} So once we put the imprimatur of
1976 government that this is an okay activity and therefore Google
1977 can run a sidebar when I say I am going to go visit Nevada to
1978 see Yucca Mountain and instead I got a lot of places to go
1979 gamble on the internet. How would you address what Mr.
1980 Eggert just spoke of, how these bots are going to be
1981 basically ripping people off legally? Yes, ma'am?

1982 Ms. {Aftab.} Well, right now on brick-and-mortar
1983 casinos, you have card counters.

1984 Dr. {Cassidy.} Yes, but the house watches for those and
1985 throws them out.

1986 Ms. {Aftab.} The house watches but the online sites, if
1987 they are well done and operated correctly, can watch for a
1988 lot of that as well.

1989 Dr. {Cassidy.} But if I were designing such a super
1990 bot, I would get it so it would win only 90 percent of the
1991 time. Every now and then it would fold on a full house or
1992 something such as that.

1993 Ms. {Aftab.} But once you are dealing with full
1994 authentication and you know who everyone is, it allows you to
1995 start tracking patterns. And what will happen is part of
1996 what we are doing now on the Homeland Security grid, the
1997 energy grid, we start sharing the information scrubbed of
1998 where the problem occurred with other companies across it so
1999 that you can improve your skills in that way.

2000 Dr. {Cassidy.} So before we pass this bill, do we need
2001 to have the permissive legislation to allow that data
2002 sharing?

2003 Ms. {Aftab.} I don't think you need permissive
2004 legislation. I think it is a matter of what the privacy
2005 policies say and what the expectations of the users are. And
2006 I think if you say that it is scrubbed of certain things and
2007 you are looking at people who are violating the law or
2008 violating the terms, I think that that can be done with
2009 privacy policies and so forth.

2010 Dr. {Cassidy.} I am out of time. And I love Mr.
2011 Eggert's opinion on the doability of that. But that said, we
2012 are out of time and I yield back. Thank you.

2013 Mr. {Barton.} Would the gentleman yield the time he
2014 doesn't have?

2015 Mrs. {Bono Mack.} With negative time. We will have a
2016 second round of questions if we can do it through that means.

2017 And with that, I am happy to recognize myself for 5
2018 minutes and just say that as I listen to the testimony, I am
2019 reminded a lot about what we saw with the content industry--
2020 music and film and television that they stood in the way of
2021 the internet and were bowled over by it not exclusive to that
2022 content. And I believe if we are going to do this, then the
2023 rising tide has to lift all boats, including Indian Country.

2024 Senator D'Amato, do you take any issue with any of the
2025 principles advanced by Mr. Stevens on behalf of the National
2026 Indian Gaming Association? Most specifically, do you agree
2027 that the tribal governments should be allowed early entrance
2028 and a period of exclusivity? And do you agree that tribal
2029 internet operations should be open to customers wherever
2030 legal?

2031 Mr. {D'Amato.} Madam Chairman, I think we want a
2032 competitive marketplace for everyone, for casinos, for our
2033 Indian brothers. The fact of the matter is it doesn't exist
2034 today. The fact of the matter is what we have is old
2035 operators. None of the legitimate houses that we have in
2036 this country are going to go forward and risk the loss of
2037 their licenses, et cetera, until or unless we change the law.
2038 And so we are going to continue to have all of the problems
2039 that we have heard about. They will be exacerbated as it
2040 relate to young people, as it relates to having a fair game

2041 so that people have a fair opportunity whether they use the
2042 super bots or not. There will be no opportunity to control
2043 that. And you are not going to be able to stop the
2044 advertising because they will still advertise on Google; they
2045 will advertise all over.

2046 So the problem we have now is one that it seems to me is
2047 very parallel to what we had in prohibition. We know that
2048 people who overindulge--it was terrible. We know that the
2049 cost to society was ruinous. And so with all good intent we
2050 passed the Volstead Act. And what happened? We had the very
2051 people who we didn't want to get into the distribution and
2052 sale of alcohol, some that was killing people, got in.
2053 Government lost revenue. It didn't cut down on all of the
2054 problems, the family abuse, the drunkenness, et cetera, and I
2055 would suggest that here we are 50 years later, we are well
2056 behind the times to say that you shouldn't use the internet
2057 for commerce. But whether you like poker or not, that is
2058 nonsense to say, oh, our little kiddies. Did we ever hear
2059 about parental responsibility as well?

2060 Now, let me tell you what moved the gambling--and there
2061 did come a time when youngsters wanted to play Texas Hold'em.
2062 They want to say Texas Hold'em, Congressman Barton, the State
2063 has got the Texas Hold'em. Why? It became famous because of
2064 television. The third most watched sport--first, NFL, then

2065 NASCAR and then, yeah, poker on the television. Are we going
2066 to ban that? Are we going to ban showing that at the
2067 casinos? What do you think created this impetus and a huge
2068 surge in that game in particular of poker--

2069 Mrs. {Bono Mack.} Senator, let me just jump in here if
2070 I might because as you know better than anybody here our
2071 problem is to try to advance technological problems at the
2072 same time as legislative hurdles. And Professor Eggert spoke
2073 eloquently I think about bots and as Dr. Cassidy and the fear
2074 that can we actually protect some people. Is this entirely
2075 new version the wild, wild west? Is this entirely a buyer
2076 beware? Professor Eggert in his testimony talked about
2077 artificial intelligence and I feel like I should ask Seary on
2078 here if she is capable of gambling.

2079 Mr. {D'Amato.} But Madam Chairman, if we do nothing,
2080 that problem will grow with no opportunity to interdict, no
2081 opportunity of having people who will have the skills and
2082 have the wherewithal because they want to protect their
2083 business. So as the professor indicated, one of the things
2084 they are going to be looking to do is to reduce that. He
2085 knows of no system to eliminate it but to reduce it. And you
2086 can identify--

2087 Mrs. {Bono Mack.} Little questions, though, that we do--
2088 -I don't know if you all can answer and I have 30 seconds

2089 left--and I think Professor Eggert's testimony again, how do
2090 you handle something as innocent as losing internet service
2091 in the middle of a hand.

2092 Mr. {D'Amato.} I didn't quite get that. How do I
2093 handle something as innocent as--

2094 Mrs. {Bono Mack.} Your internet service just goes out
2095 and you are in the middle of a big hand and you lose internet
2096 connectivity. What happens?

2097 Mr. {D'Amato.} You know, Congresswoman--

2098 Mrs. {Bono Mack.} Do I win if I just flip off my modem?

2099 Mr. {D'Amato.} I have to tell you this legislation
2100 can't protect everybody at every time in every instance but
2101 it can go a long way to protecting people who have no
2102 protections at all, whether it is the bots, whether it is the
2103 problem gambling, whether it is the youngsters, no one can
2104 promise 100 percent certainty. When it comes to
2105 identification and verification, certainly we should be able
2106 to use the most robust technologies that have been developed
2107 and will continue to be developed. But there is nothing
2108 perfect about this legislation. It will be imperfect but a
2109 heck of a lot better than doing nothing.

2110 Mrs. {Bono Mack.} All right. I thank you and my time
2111 has expired. And I am pleased to recognize Mr. Butterfield
2112 for 5 minutes.

2113 Mr. {Butterfield.} Thank you.

2114 Technological advances have allowed manufacturers to
2115 create ever-more enticing products. But I am not concerned
2116 about the flashing lights and the funny noises or a game's
2117 appearance; I am only interested in game attributes or
2118 marketing practices that have the potential to mislead,
2119 deceive, or confuse.

2120 Mr. Eggert, I think I will try you on this one. You
2121 discussed slot machines that intentionally give the game
2122 player a large number of near misses complete with a counter
2123 on the side of the screen letting them know exactly how many
2124 they have had. This is a manipulation of consumers that
2125 inhibits their ability to understand how the game works and
2126 makes the game seem easier to win than it actually is. You
2127 may agree or disagree with that, but briefly, what are the
2128 most egregious examples of misleading or deceptive tactics
2129 that we should be aware of in the online gambling world,
2130 those worse practices that should be carefully monitored or
2131 restricted?

2132 Mr. {Eggert.} Well, in the online world, we have heard
2133 some of the worst practices are online poker sites not having
2134 the money that the gamblers have put--have drained the money
2135 out so if the gamblers try to get their money out, they
2136 can't. That is a very bad practice. Another bad practice is

2137 insiders being able to see the whole cards of their opponents
2138 so that they can win much more easily because they are
2139 playing against. That is another really bad thing. But
2140 another really bad thing is not being able to tell what the
2141 hold percentage of a slot machine you are playing is. I
2142 think that is an important thing for any slot player is to
2143 say, you know, am I going to lose on average 2 percent, which
2144 is a good machine or am I going to lose 15 percent, which is
2145 a much more expensive and much worse machine. That is an
2146 incredibly bad practice and it exists in internet slots; it
2147 exists in land-based slots. That is something that should be
2148 addressed. It is an important part of consumer protection.

2149 Mr. {Butterfield.} What kind of expertise and
2150 authorities should an enforcing agency have in order to keep
2151 up with the misleading or deceptive tactics of an industry's
2152 bad actors?

2153 Mr. {Eggert.} Well, that is actually an interesting
2154 question. I do a lot of work in the financial services
2155 community, and regulators are doing a better job now of
2156 actually experimenting to see what consumers understand and
2157 what they don't understand. And so what we should have is a
2158 regulatory agency that focuses on consumer protection and
2159 really tries to figure out what can consumers understand as
2160 far as disclosure is? What information do they want? How

2161 much information can they use? And so I would assert that we
2162 should have a federal regulator who does that kind of
2163 investigation to see what works best for gambling consumers.

2164 Mr. {Butterfield.} Can you tell me how vendors describe
2165 their games when they do it in writing to their consumers?

2166 Mr. {Eggert.} Well, typically for slot machines they
2167 say that they are either loose or they are looser or they are
2168 the loosest, but often they don't give much detail as to what
2169 that means.

2170 Mr. {Butterfield.} Is there room for improvement?

2171 Mr. {Eggert.} There is incredible room for improvement.

2172 Mr. {Butterfield.} What about misleading tactics or
2173 deceptions by other players, for example, when a poker game
2174 is infiltrated by predatory professional players or
2175 algorithm-driven bots that are impossible to beat? In a case
2176 like this, is an empowered, knowledgeable consumer even
2177 enough?

2178 Mr. {Eggert.} Well, the problem consumers have is they
2179 often don't know if they are playing against somebody who is
2180 using a computer assist or computer bot to help guide the
2181 game. And so you might have some, you know, 21-year-old who
2182 is playing their first game of poker online facing, you know,
2183 somebody who with the computer algorithms is, you know,
2184 really a top poker player. It would be as if you go to the

2185 neighborhood to have a pickup game and unbeknownst to you,
2186 you are playing against an NBA player. I don't think you can
2187 prevent people from using bots because I think that is just
2188 impossible.

2189 For me, the solution would be to have a rating system
2190 whereby if you want to play against people and know whether
2191 they are good or bad, everybody has a rating like in the
2192 chess world. Better players have higher ratings; worse
2193 players have lower ratings. I know if I play against
2194 somebody with a 1,000-point higher rating than me, I am going
2195 to get beat but it might be fun. The same thing should
2196 happen in the gambling world where if you go online playing
2197 poker and you have a 1,400 rating and you are playing against
2198 somebody who has a 2,100 rating, most likely they are going
2199 to beat you but you might learn something.

2200 Mr. {Butterfield.} Very informative. Thank you.

2201 Mrs. {Bono Mack.} Thank you, Mr. Butterfield.

2202 And the chair recognizes Mr. Barton for 5 minutes.

2203 Mr. {Barton.} Thank you, Madam Chairwoman. I was going
2204 to leave and then we were told we were going to have a second
2205 round so I decided to stick around. But my stomach is
2206 starting to growl, so let us don't have 3 rounds even though
2207 I asked for the hearing.

2208 I want to refocus. You know, we are kind of letting the

2209 tail wag the dog here. We are having a hearing as to whether
2210 it is acceptable, appropriate to allow those citizens of the
2211 United States that live in States that the States want them
2212 to play poker for money online to do so, and we are getting
2213 into some pretty esoteric areas about underage and problem
2214 gambling and now we are into this issue of computer gamblers.
2215 I will acknowledge that it is technically possible to set up
2216 some elaborate scheme using these computer bots against
2217 people, but we can always guarantee that somebody is a live
2218 body at the table, right, even if they have a computer. That
2219 is doable, and if you have that, you know, you are not going
2220 to set up an elaborate computer scheme to play in a 1-cent,
2221 2-cent limit online poker game. There is just enough money.
2222 And the higher you go in these games--I have never played
2223 money online. I have played poker online and I have got play
2224 money out the kazoo. I have got \$10, \$15 million of play
2225 money, but that and 75 cents gets you a coke. I mean it just
2226 doesn't help you a lot.

2227 But when I look at the for-money sites, most of them are
2228 less than \$100. Now, you can get 1,000, 2,000, so anybody
2229 with any sense at all who--to use your term, Professor--a
2230 recreational poker player, you are going to be an absolute
2231 idiot to go online and get into a high-dollar poker game. I
2232 mean just you go into that game knowing that everybody else

2233 at that table is really good and unless you are an heir to
2234 the Rockefeller family or the Perot family or Bill Gates or
2235 somebody like that, you don't in your wildest dreams want to
2236 be playing poker in that game. You just don't want to do it.

2237 So if we can verify that they are adults and maybe even
2238 require people to stipulate that they are not using computer
2239 ability when they play, even though they can cheat, if they
2240 cheat you can catch them. Do you agree with that, Professor?

2241 Mr. {Eggert.} I don't think you can catch poker players
2242 who are using a computer to guide them. I think as long as
2243 they make sure that they don't win too often, that they screw
2244 up once in a while, that they can fly under the radar and
2245 make good money. You don't have to be playing \$300-a-bet
2246 games to make a decent living. People can make 60, \$100,000
2247 playing professional poker with bots--

2248 Mr. {Barton.} Well, all of the information in your
2249 written testimony about data manipulation and data
2250 statistical analysis I can get. I can get myself right now
2251 if I want to take the time to do it. It doesn't mean I
2252 understand it, it doesn't mean I will benefit by it, but I
2253 have the ability if I want to really find out what is out
2254 there, I can do that without too much trouble. That
2255 information is fairly transparent.

2256 What we want to prevent is somebody using it unfairly,

2257 and in a real-world situation when you walk into the casino,
2258 you can't take a pocket computer with you. You know, you
2259 can't have somebody behind you saying the probability on this
2260 hand 33 percent, that that guy over there has got pocket aces
2261 or whatever. You have got to know it. On the computer, you
2262 can get access to it, but there should be ways to verify with
2263 the current technology is somebody is routinely beating the
2264 system, we can flag that and then we can outlaw them. We can
2265 put penalties into the bill that if I use computer analysis
2266 at all, I can be banned from that site, I can be penalized,
2267 and I guess if the committee wants to, we can throw them in
2268 jail.

2269 So that is not a reason not to do it. It is something
2270 we need to work on, it is something we need to be aware of,
2271 but because some computer whiz kid at MIT develops a problem
2272 that they think can beat the system, if we are aware that
2273 they have got that program, eventually we are going to catch
2274 them. Do you agree or disagree with that?

2275 Mr. {Eggert.} I disagree with that. Think of the chess
2276 world. You know, if--

2277 Mr. {Barton.} No, no, chess is perfect knowledge.
2278 Everybody knows on the chess board where the pieces are.
2279 When I sit down at a poker table, I know my cards, I know the
2280 cards on the table, and if I am really, really smart, I might

2281 be able to infer what Senator D'Amato has and you have based
2282 on the way you bet, but I don't have perfect knowledge. That
2283 is why poker is such a great game. It is a game of skill, it
2284 is bluffing, it is probability, and it is reading people, but
2285 it is not poker knowledge. This is not chess.

2286 Mr. {Eggert.} But if you have a poker program that
2287 plays as well as some of the best players in the world and I
2288 use it, how do you tell if I am using a program--

2289 Mr. {Barton.} Well, within an hour, everybody at the
2290 table is going to know that--

2291 Mr. {Eggert.} How will you know--

2292 Mr. {Barton.} --and if you use it for a week, the
2293 people that are monitoring the site, if it is legalized and
2294 regulated are going to know it and you are going to be
2295 banned.

2296 Mr. {Eggert.} How would you distinguish between me and
2297 a really good player who is not using the program?

2298 Mr. {Barton.} I would call you up and talk to you about
2299 15 minutes on the phone if I am the regulator and ask you a
2300 few basic questions. I would find out pretty quick what kind
2301 of a poker player you are. I could do that right now
2302 actually.

2303 Mr. {Eggert.} I think that your--

2304 Mr. {Barton.} And I yield back.

2305 Mrs. {Bono Mack.} I thank the gentleman and recognize
2306 Mr. Kinzinger for 5 minutes.

2307 Mr. {Kinzinger.} Well, thank you, Madam Chairman, for
2308 putting this on.

2309 Just a few questions to start with, Ms. Aftab. Let us
2310 talk a little bit about the offshore gambling industry, and I
2311 apologize if you have been asked this already. But can you
2312 tell me a little bit about it, just how it exists today?
2313 Specifically, you know, where is most of it located at? What
2314 kind of gambling, you know, for the most part is occurring on
2315 these offshore sites? And what kind of protections do these
2316 offshore sites have for players and particularly for minors?
2317 If you just want to talk in general about it and then we will
2318 go from there.

2319 Ms. {Aftab.} Thank you very much. I hate to keep
2320 referring to our report from the Kennedy Center at Harvard,
2321 but it does address these things.

2322 Offshore we are dealing with sites that are legal under
2323 the jurisdiction where they are regulated--Gibraltar, the
2324 U.K. A lot of the different foreign jurisdictions have
2325 regulatory schemes that allow online gambling under certain
2326 circumstances with checks and balances. And then the vast
2327 majority of the sites we are seeing are unregulated. They
2328 are in places that have no regulations in place and no checks

2329 and balances.

2330 So when you are looking at a well regulated scheme, they
2331 keep kids out by requiring adult verification and
2332 authentication. They have trust systems that money needs to
2333 be put into trust accounts and kept distinct so that a
2334 payment is made on winnings. They have checks and balances
2335 on money laundering to make sure that they know who they are
2336 dealing with and you are seeing patterns of behavior. They
2337 are using artificial intelligence, Symantec web that
2338 Representative Barton was talking about. From his
2339 perspective, it is the good side of the bots to look at
2340 certain patterns of behavior. They have audits of who is
2341 employed, where the money came from--

2342 Mr. {Kinzinger.} And again, we are talking about
2343 regulated sites right now, correct?

2344 Ms. {Aftab.} I am sorry?

2345 Mr. {Kinzinger.} We are talking about the regulated--

2346 Ms. {Aftab.} The regulated sites as opposed to the
2347 other ones that may be run by terrorist organizations, they
2348 could be run by underworld criminal activity, they could be
2349 run by somebody out of their garage. You don't know and, you
2350 know, you never know who is a dog on the internet and it is
2351 pretty hard to figure out who you are gambling with. So
2352 there are ways of doing this and I think what we need to do

2353 is cherry-pick the best that we see out there and then
2354 Americanize it and make it even better.

2355 Mr. {Kinzinger.} So on the unregulated sites, basically
2356 it really is anything can go. I mean you could have 12-year-
2357 olds on there betting--

2358 Ms. {Aftab.} You could have 12-year-olds on it, you
2359 will have collusion among gamblers, you are going to have
2360 people who aren't paying you on bets, they are taking your
2361 money, it is not even real. Anything that could possibly go
2362 wrong does go wrong.

2363 Mr. {Kinzinger.} Do we have any idea approximately how
2364 much American money is being bet on those sites?

2365 Ms. {Aftab.} The numbers are huge. The 4 to \$6 billion
2366 a year of U.S. gambling is the estimate that we are seeing
2367 offshore. That is a lot of money that people are spending
2368 not in the United States, maybe they shouldn't be spending
2369 it, and they are not spending it fairly. So it is money that
2370 could be brought back here and help us and be done better.

2371 Mr. {Kinzinger.} And ultimately, you know, if it is
2372 unregulated, it is almost impossible to put them out of
2373 business. I mean we can't--

2374 Ms. {Aftab.} It is really impossible to put them out of
2375 business, and the problem I have been seeing is consumers
2376 here don't know where to go because if they think that what

2377 they are doing is illegal because they are gambling online
2378 and they are scammed, they are afraid to call the police
2379 because they think they might be arrested. So we are finding
2380 consumers who have no place to go, no recourse in law
2381 enforcement but doesn't know what to do and how to do it
2382 effectively.

2383 Mr. {Kinzinger.} And just one more question for you,
2384 too. Operator fraud and theft from players, you touched on
2385 that with these companies that are--has any of this happened
2386 in companies regulated in EU-member states? I mean have you
2387 been seeing that or is that mostly on the unregulated sites I
2388 guess?

2389 Ms. {Aftab.} Well, every once in a while you are going
2390 to see somebody in a regulated scheme that is violating the
2391 laws and they police those very carefully.

2392 Mr. {Kinzinger.} Right.

2393 Ms. {Aftab.} And that is the difference. People will
2394 always break the law, but if you have laws in place and law
2395 enforcement skills and the tools are there, then you can put
2396 them out of business and--

2397 Mr. {Kinzinger.} You can prosecute it and go after it.

2398 Ms. {Aftab.} --put them behind bars.

2399 Mr. {Kinzinger.} Okay. Great. Well, that is all I
2400 have. Thank you for your patience. And I yield back.

2401 Ms. {Aftab.} Thank you.

2402 Mrs. {Bono Mack.} Thank you. And Mr. Harper, you are
2403 recognized for 5 minutes.

2404 Mr. {Harper.} Thank you, Madam Chair.

2405 You know, there are so many things going through my mind
2406 as we listen to the different witnesses and the input on
2407 this. You know, right now if we have offshore online
2408 internet casinos, whatever we want to call them, and they are
2409 receiving funds illegally from U.S. citizens, would you
2410 support legislation that would say that those companies that
2411 are knowingly right now violating our law that would ban them
2412 from ever opening up and being a part of legal U.S. internet
2413 gambling?

2414 Ms. {Aftab.} I will answer for myself but not
2415 necessarily for Fair Play USA because I don't know what the
2416 answer is. And as far as I am concerned, if you are
2417 violating the law, you shouldn't be allowed to engage in a
2418 licensed and regulated regime--

2419 Mr. {Harper.} Okay, thank you.

2420 Ms. {Aftab.} --in the same way you couldn't open a
2421 brick-and-mortar casino if you are a criminal. You shouldn't
2422 be able to do this either.

2423 Mr. {Harper.} Mr. Stevens?

2424 Mr. {Stevens.} Yes, sir, we would be supportive.

2425 Absolutely.

2426 Mr. {Harper.} Okay. Mr. Whyte?

2427 Mr. {Whyte.} We don't have a dog in this fight. We are
2428 neutral on legalized gambling so our organization has no
2429 opinion on that.

2430 Mr. {Harper.} Well, then I will ask you personally.

2431 Mr. {Whyte.} Personally, yeah.

2432 Mr. {Harper.} Do you have an opinion personally as to
2433 whether or not a company that has been conducting technically
2434 illegal activity offshore is now going to want to come in and
2435 be licensed to do this in the United States?

2436 Mr. {Whyte.} Yeah, if they are breaking the law, it
2437 certainly seems that they would be unfit to receive licensure
2438 under the general gaming statutes that we have.

2439 Mr. {Harper.} Thank you. Senator D'Amato?

2440 Mr. {D'Amato.} If you violated the law, you should not
2441 be permitted to have a license.

2442 Mr. {Harper.} Okay. Mr. Eggert?

2443 Mr. {Eggert.} I also agree that if a company has been
2444 intentionally violating the law, I don't see them as a fit
2445 gambling operator here.

2446 Mr. {Harper.} Dr. Romer?

2447 Mr. {Romer.} Well, I mean all of them are violating the
2448 law as far as I can tell. So I think there have been some

2449 agreements with some of these companies to acquire, you know,
2450 back taxes and so forth that might work.

2451 Mr. {Harper.} Thank you.

2452 Mr. {D'Amato.} I might, Congressman--

2453 Mr. {Harper.} Yes, sir, Senator?

2454 Mr. {D'Amato.} They are not really all violating the
2455 law. That is a very real question. And indeed I think the
2456 5th Circuit indicated that the Wire Act--

2457 Mr. {Harper.} Sure.

2458 Mr. {D'Amato.} --which really creates the violation has
2459 not been violated as it relates to playing poker but rather
2460 that Wire Act was intended for sports gambling. So I think,
2461 you know, there is a legal distinction. Now, some are still
2462 battling that out. It hasn't gone up to the Supreme Court,
2463 but that is the highest ruling to date.

2464 Mr. {Harper.} And I am certainly aware of that conflict
2465 that is there.

2466 Professor Eggert, if I may ask this, and I will just
2467 read a little something here and then get your thoughts on
2468 it. In 2007, Jeff Schmidt, CEO of Authis, provider of
2469 identity- and security-related products, testified before our
2470 committee. Mr. Schmidt certainly is recognized as an expert
2471 on these issues on online identification and authentication.
2472 In his testimony he stated, ``age verification and

2473 determination of geographical location simply cannot be done
2474 reliably over the internet.' ' And I would ask has technology
2475 changed and improved to the point where that has drastically
2476 changed since '07 and do you agree with Mr. Schmidt's
2477 assertion regarding age and geolocation verification?

2478 Mr. {Eggert.} Well, that is actually a good question.
2479 I am not sure I am the proper person to answer that because I
2480 haven't really studied age verification and internet search.
2481 I wouldn't want to hazard an opinion without doing more
2482 reading on that.

2483 Mr. {Harper.} And I know that, Ms. Aftab, you would
2484 agree that it has changed or has improved, would you not?

2485 Ms. {Aftab.} Yes, it is changing radically and very
2486 quickly and all of us are now carrying around devices with
2487 GPS capability on them all the time so that it has changed
2488 greatly. And I was part of the taskforce that said you can't
2489 authenticate kids but you can authenticate adults, so that
2490 question needs to be asked in the right way when we ask about
2491 age verification of adults.

2492 Mr. {Harper.} But if you are doing that, can a person
2493 still not sell their information or share that with someone
2494 else or it be stolen?

2495 Ms. {Aftab.} They could but if you are using biometrics
2496 along with it that would require that when you log in you are

2497 authenticated as you and that has been verified through some
2498 regimen that has been approved, I think we can really get
2499 there. And we are getting there across the board on a lot of
2500 other areas.

2501 Mr. {Harper.} If we legalize internet gambling in the
2502 United States, there will be obviously costs associated with
2503 that. So what will prevent someone from saying, well, you
2504 know, it cost me more to use what is the legal internet
2505 gambling here; I want to still go offshore? What is going to
2506 prevent them from still doing what they are doing now?

2507 Ms. {Aftab.} Well, now you are going to have a lot of
2508 big players in the fence. So right now everybody is outside
2509 of the fence, but when you get a lot of the players who know
2510 what they are doing, they understand the technology, they
2511 understand the patterns of play, they understand all of these
2512 things who now have a vested stake inside, they can turn
2513 around and blow the whistle on everybody else and help you
2514 get the ones who are the outliers because they are competing
2515 unfairly. You will have some good allies.

2516 Mr. {Harper.} My time is up. I yield back.

2517 Mrs. {Bono Mack.} Thank you. And Dr. Cassidy for 5
2518 minutes.

2519 Dr. {Cassidy.} Mr. Whyte, again, as I think about,
2520 okay, we have a subset of people; let me just accept what you

2521 say earlier--again, not to challenge just to learn--that you
2522 will not significantly increase the risk, there is a
2523 possibility that those that do gamble will significantly
2524 increase their gambling.

2525 Mr. {Whyte.} Absolutely. We covered that in our
2526 written statement.

2527 Dr. {Cassidy.} So let me--

2528 Mr. {Whyte.} Sorry.

2529 Dr. {Cassidy.} Now, I have learned when gambling was
2530 introduced in Louisiana, the problem gambling increased
2531 dramatically, as well as did theft from businesses as people
2532 financed their habit if you will. Have you learned in these
2533 jurisdictions that legalized internet gambling that problem
2534 gambling increases and that the incidents of theft associated
2535 with such increases?

2536 Mr. {Whyte.} That is a great question. In the
2537 jurisdictions we have looked at to date without exception the
2538 rate of problem gambling has not exploded. It has not
2539 exploded in proportion to the--

2540 Dr. {Cassidy.} Now, exploded is a subjective term.

2541 Mr. {Whyte.} Exactly. But still what we do see--and I
2542 think to the point of your question--is that there are subtle
2543 increases in perhaps severity of problems especially among
2544 certain groups like, for example, young men who tend to be

2545 very heavy gamblers, who tend to be high adopters of internet
2546 gambling. So I think Louisiana's example is the same. There
2547 are at-risk groups that when gambling is made legalized, more
2548 accessible, more available, more acceptable, they may shift
2549 in their patterns of gaming. They may either start gambling
2550 or take their existing--

2551 Dr. {Cassidy.} Now, when you say that exploded is
2552 objective, 20 percent is a definite, can you give me a
2553 percent, say, across all jurisdictions we see a 5 to 20
2554 percent increase in problem gambling?

2555 Mr. {Whyte.} No, sir, we have not seen that.

2556 Dr. {Cassidy.} Do you have a percent I am asking? I am
2557 making up a number.

2558 Mr. {Whyte.} Absolutely. I apologize. Yeah, in the
2559 United States it has gone roughly from .5 percent to around 1
2560 percent over the last 30 years--

2561 Dr. {Cassidy.} Problem gambling?

2562 Mr. {Whyte.} --pathological gambling. So that is a
2563 large percentage increase, certainly--

2564 Dr. {Cassidy.} See, my local DA told me that the amount
2565 of theft associated with it had increased significantly, not
2566 a definite number, but after gambling was legalized, the
2567 amount of theft--in fact they stopped investigating it
2568 because it was, you know, so much of a problem.

2569 Mr. {Whyte.} That is absolutely--60 percent of problem
2570 gamblers will commit a white collar crime to finance their
2571 gambling.

2572 Dr. {Cassidy.} Okay.

2573 Mr. {Whyte.} And as more and higher-stakes forms of
2574 gambling are available, they may be driven to more severe
2575 crimes because they are chasing more and more money to--

2576 Dr. {Cassidy.} Okay. Let me ask Dr. Romer and Mr.
2577 Eggert, first you, Mr. Eggert. If I would say that my goal
2578 is to limit the amount of problem gambling, to limit the
2579 amount of the number of adolescents who enter into a
2580 lifestyle which is destructive, but to allow people like Mr.
2581 Barton if you will to pursue his pastime, Mr. Eggert, do you
2582 think that this legislation is a positive in terms of
2583 pursuing that goal or do you think it is a negative?

2584 Mr. {Eggert.} Well, first of all, I am not a problem
2585 gambling expert. I am a consumer protection expert. I think
2586 that there are good things about internet gambling where you
2587 can put in harm minimization strategies. I don't think that
2588 there is a good study out there that shows whether that has a
2589 net benefit or a net--

2590 Dr. {Cassidy.} So what about consumer protection? Do
2591 you feel like this legislation is a negative or a positive
2592 for consumer protection?

2593 Mr. {Eggert.} Well, I haven't seen any legislation yet
2594 that has what I consider strong consumer protection. I think
2595 if we had legislation with strong consumer protection, that
2596 could be a net positive.

2597 Dr. {Cassidy.} And then the very fact of legalization
2598 which some folks suggest will allow it to be increased
2599 consumer protection, you are not convinced of?

2600 Mr. {Eggert.} I am sorry, could you--

2601 Dr. {Cassidy.} So some folks I am hearing say just
2602 legalize it and inherent in legalization will come consumer
2603 protection.

2604 Mr. {Eggert.} I think that you have to build in strong
2605 consumer protections.

2606 Dr. {Cassidy.} Dr. Romer, again, let me ask you. Do
2607 you think this legislation in particular--I gather from your
2608 testimony you actually think this legislation or some
2609 legalization would be beneficial in terms of the problem of
2610 adolescent gambling.

2611 Mr. {Romer.} I think it would if certain, you know,
2612 safeguards were put in place, the kinds that have been
2613 suggested, because the internet is a place where you can
2614 alert people to problems while they are gambling, you could
2615 cut them off, and we could also examine--I think the bill
2616 that is currently proposed suggests that we could make public

2617 the records of these gambling companies so that we could see
2618 are they making disproportionate profits from--

2619 Dr. {Cassidy.} To go back to Mr. Eggert's comment, he
2620 wants to see that sort of thing on the front end, not kind of
2621 retrofitted on the back end. Do you think that such
2622 legislation should have that sort of transparency built into
2623 it on the front end?

2624 Mr. {Romer.} Yeah, I think consumers ought to know what
2625 their chances are of winning on a particular site, and if it
2626 is very difficult, they ought to know that. Yeah. They
2627 ought to know the odds.

2628 Dr. {Cassidy.} Okay. And I haven't read this
2629 legislation so critically. You may not be an attorney. I
2630 hope you are not.

2631 Mr. {D'Amato.} Congressman, we would have no problem
2632 supporting legislation that clearly called for the kind of
2633 thing that Kurt Eggert suggested and that is that there be
2634 identified what percentage does the house keep? If it is 3
2635 percent on a game, 2 percent, whatever it is, no problem in
2636 establishing that. That is great consumer protection and
2637 putting it out there before they pull that slot, if it is not
2638 a slot, but before they deal those cards.

2639 Dr. {Cassidy.} Okay. I am out of time. Thank you. I
2640 yield back.

2641 Mrs. {Bono Mack.} I thank the gentleman. And I would
2642 like to thank our panel very much for being here today. You
2643 have been very gracious with your time and helpful and
2644 enlightening with your answers. I look forward to working
2645 with all of you again as we continue to explore the issue of
2646 internet gambling.

2647 As chairman of the subcommittee, let me be clear about
2648 two things: first, we are going to be very thorough in
2649 examining a wide range of issues related to internet gambling
2650 before coming to any conclusions; and secondly, at the end of
2651 the day, we are going to do what is best for American
2652 consumers.

2653 I remind members that they have 10 business days to
2654 submit questions for the record and ask the witnesses to
2655 please respond promptly to any questions they might receive.
2656 The hearing is now adjourned.

2657 [Whereupon, at 1:00 p.m., the Subcommittee was
2658 adjourned.]