

**Testimony of The Honorable John B. T. Campbell, III**  
**Before the House Energy and Commerce Committee**  
**Subcommittee on Commerce, Manufacturing, and Trade**  
**Topic: “Internet Gaming: Regulating in an Online World”**

**November 18, 2011**

Madam Chairman and Members of the Subcommittee, my name is John Campbell and I am privileged to represent the people of California’s 48<sup>th</sup> District here in Congress and before this committee today. I would also like to thank you for the opportunity to testify today on an issue that has long deserved consideration by Congress.

In 2006, we were challenged as a society to figure out how we should proceed with the confluence of a budding internet gambling industry and advancing internet technology. Millions of Americans had already begun using the Internet as a medium for play and dozens of firms, both domestic and foreign, were operating within our borders. We thought that by punishing those who took play, through the Unlawful Internet Gambling Enforcement Act (UIGEA), we would put an end to bad practices and the victimization of Americans who were wagering online. In the end, enforcement was difficult and inconsistent and number of Americans wagering online grew exponentially. As an example, Full Tilt Poker, who until just months ago was taking play from Americans, was indicted by a federal grand jury and charged with fraud and money laundering, among other things. In the wake of this and other incidents like it, what we need now is not an outright ban, but rather a safe, effective, and workable framework.

Let me be abundantly clear – I am not a gambler. I do not play poker, slot machines, cards, lotteries, or any other similar games. But millions of Americans do gamble, either in casinos, with state lotteries, or in the privacy of their own homes among family and friends. They do so for a variety of reasons, recreation and camaraderie among them. It is because I believe in a society that allows these Americans free choice to gamble online, and one that holds in high regard choice and personal responsibility, that I am advocating for us to revisit this issue today.

I, along with my friend and colleague, Mr. Barney Frank, have introduced H.R. 1174, the Internet Gambling Regulation, Consumer Protection, and Enforcement Act, which would better protect consumers without restricting their freedom. Our legislation would create a framework where Internet gaming operators can apply for licenses from the Treasury Department and federally approved state commissions, while agreeing to be strongly regulated by agencies in the United States. Under our bill, any suitable person seeking to operate an Internet gambling facility may submit to a background investigation and apply for a license. It is my belief that having an open market fosters competition, promotes fairness, and is in best interest of players.

Opponents of internet gambling legalization will claim that the activity isn't safe and will open the floodgates to allow Internet gaming operators to prey on young people and problem gamblers. Ironically, what they are describing is the "Wild West" of Internet gambling that is taking place today. Americans are placing wagers with companies located offshore and with facilities and systems that are unaudited and untested. They cannot be assured that the games are fair, that their funds are not being embezzled, and that the people operating the facilities are of

sound moral character. If anything, Internet gambling is less safe today because of the UIGEA ban, not in spite of it.

Bringing transparency, regulation, and order to this system is entirely possible. Advancements in technology have enabled other jurisdictions to verify that gamblers are of appropriate age, “geo-locate” users to ensure they are within the jurisdiction, audit the fairness of games, catch cheaters and scam artists, and ensure that user funds are segregated out from operating funds. This technology is live and there are firms capable of inspecting and auditing these institutions operating in the market today. In fact, the ability of the Department of Justice to crack down on internet gambling activities on “Black Friday” speaks to the availability, accuracy, and usefulness of these tools.

On the issue of problem gambling, I recognize that there are Americans who are not suited for any kind of gambling, including that which is conducted over the Internet. Unfortunately, there are Americans who are addicted to a whole host of products, including alcohol and tobacco. However, we, as policymakers, have chosen to trust people to consume these products responsibly and at their own risk, while providing mechanisms to mitigate the social costs incurred. To that end, I am also a cosponsor of H.R. 2334, the Comprehensive Problem Gambling Act of 2011. The bill, authored by my colleague, Mr. Frank Wolf, would allow agencies of the government to research, prevent, and address problem gambling. Furthermore, it is my expectation that part of the government’s revenue streams from any resulting taxation of internet gambling be used for these purposes.

Passing legislation like ours would foster the development and growth of a new American industry, which would bring along with it thousands of jobs and billions of dollars of economic activity, the revenues of which could be taxed to assist our ailing federal budget. I would urge my colleagues in Congress to thoughtfully consider proposals to legalize, regulate, and tax internet gambling, and I look forward to working with each of you as this process moves forward.

Thank you for your time and I look forward to answering any questions you may have.