

**Testimony of the Honorable Paul I. Clymer  
House Judiciary Committee  
Hearing on House Bill 2271 and House Bill 2438**

Thank you, Mr. Chairman and committee members, for giving me the opportunity to testify today regarding an issue about which I have grave concerns – Internet gambling. As you know, I have introduced House Bill 2438, which prohibits Internet gambling in Pennsylvania.

Internet gambling is already big business. At present, it is estimated that \$200 to \$300 million dollars per year are spent on online betting. Internet gambling is “alive, its growing and its going to become a phenomenon, if it is not already in fact,” said Las Vegas oddsmaker Frank “Lefty” Rosenthal during an April 1998 “Nightline” appearance. Gambling consultants Christiansen/Cummings Associates estimates that potential global revenues from online gambling could reach almost \$8 billion by the year 2001.

As we meet here today to explore Internet gambling we are entering relatively uncharted waters. Despite the federal Interstate Wire Act, which prohibits the use of wire communications such as telephone lines for sports betting across state lines, and a recent indictment, under this statute, of 14 owners and managers of off-shore gambling companies, online gambling activity remains largely unregulated. Testifying before the Subcommittee on Crime of the U.S. House Committee on the Judiciary, Bernard Horn, Director of Political Affairs of the National Coalition Against Gambling Expansion, notes that the U.S. Justice Department is not enforcing this federal statute. In a January 31, 1998 *New York Times* article, Justice Department spokesman John Russell said, in

reference to enforcement of the Interstate Wire Act, "If the casinos are outside the United States, there's not a thing we can do about it except prevail upon the host government."

Nearly all of the estimated 140 active online casino operations are based outside of the United States in places like the Caribbean and Central America, where they operate legally.

The online gambling customer is truly rolling the dice when he or she places a bet at a cyber casino. According to Frank Fahrenkopf, President of the American Gaming Association, there's no guarantee that if you win at Internet gambling you are going to get your money. Bernard Horn agrees. He notes that there is no way to know whether an online casino is treating its customers fairly. A March 22, 1998 *Pittsburgh Tribune Review* article written by Mark Houser points to an online gambling forum which contains a number of complaints from former customers of Interactive Gaming of Blue Bell, Montgomery County. The complaints allege that the company has not paid out thousands of dollars in Internet gambling winnings.

Progress on federal legislation prohibiting Internet gambling appears to have slowed in recent months due, in part, to lobbying from a variety of interest groups, including the horse racing industry and computer businesses. Although the U.S. Senate Committee on Judiciary reported Senate Bill 474, known as the Internet Gambling Prohibition Act of 1997, in October 1997 and a House Committee on the Judiciary, may soon consider similar action on a House companion bill, Congressional action on this very important issue remains uncertain.

For your information, Senate Bill 474, sponsored by Senator John Kyl of Arizona amends the Federal criminal code to prohibit and set penalties for: (1) placing, receiving, or otherwise making a bet or wager via the Internet or any other interactive computer service in any State; and (2) engaging in the business of betting or wagering through the Internet or any such service. The bill also grants the U.S. district courts original and exclusive jurisdiction to prevent and restrain violations of this Act and authorizes the Attorney General to institute proceedings under this section.

Additionally, Senate Bill 474 directs the Secretary of State to: (1) negotiate with foreign countries to conclude international agreements that would enable the United States to enforce specified provisions of this Act with respect to persons engaging in violations from outside the United States; and (2) report on the progress of such negotiations to specified congressional officials.

Although the courts have begun to weigh-in on the issue of online betting, we have a long way to go before we have an Internet gambling “law of the land.” In this environment of uncertainty and until federal legislation prohibiting Internet gambling is enacted, the states must act. (After all, the states historically have regulated gambling.) That’s why I have introduced House Bill 2438.

House Bill 2438 adds a section to the Crimes Code prohibiting gambling by computer. The use of a computer or other communication facility for the transmission or receipt of bets or wagers, would be a misdemeanor of the first degree when the person placing the bet or wager, the computer receiving the bet or wager (or any communication facility used in transmitting the bet or wager) is located in Pennsylvania. This new

offense would not apply to any activity presently authorized by the Race Horse Industry Reform Act or the State Lottery Law.

Violation of the prohibition against gambling by computer would result in seizure by and forfeiture to the Commonwealth of any computer or communication facility used in commission of the offense.

The bill grants the Attorney General concurrent prosecutorial jurisdiction with the district attorney and would empower the Attorney General to refer to the district attorney any computer gambling violation.

We are familiar with the litany of social ills caused by gambling. I am concerned that the very nature of the Internet – its easy and virtually universal access, its split-second response time, the anonymous nature of Internet communication and the fact that it provides an open door to fraud – will intensify the proliferation of these social ills throughout this state and this nation.

Testifying before the Subcommittee on Crime of the U.S. House Committee on the Judiciary Bernard Horn commented extensively on the social costs of Internet gambling. “The Internet not only makes highly addictive forms of gambling easily accessible to everyone, it magnifies the potential destructiveness of the addiction” because it allows the individual gambling addict to destroy him or herself in complete privacy and without any opportunity for intervention, says Horn.

The growth of underage gambling may be exacerbated by Internet gambling, as well. In a completely unregulated environment, gaining access to an online casino may be as easy as borrowing a parent’s credit card.

Internet gambling brings the casino more than close to home. It brings gambling into the home. A person need not get in his or her car or on a bus to go to Atlantic City. He or she can sit in the house, in complete anonymity and outside the system of legal and social "checks and balances" which can serve to curb some problem gambling behavior, and gamble his or her way into financial ruin. Research indicates that the prevalence of bankruptcies increases with proximity to a casino. With Internet gambling one's house becomes the casino.

Dr. Howard J. Shaffer, Director of the Harvard Medical School Division on Addiction Studies, argues that Internet gambling will multiply the problems of gambling addiction. He likens the impact of technological advances in administering drugs on drug abuse to the impact of technological advances on gambling addiction. "With new technological advances, with Internet gambling, with telephone and television interactive gambling, we're likely to see many more pathological consequences to gambling," he suggested in an October 1995 lecture.

In addition to exacerbating the many social ills caused by gambling generally, online casinos create unique problems. Internet gamblers will be rolling virtual dice or spinning virtual roulette wheels. How can the fairness and/or randomness of such games be monitored? Also, Bernard Horn believes that Internet gambling will provide a perfect front for organized crime activities. "We're never going to know for certain who owns an Internet gambling site based in another county," Horn says. Horn also points out that, unlike traditional gambling enterprises, Internet casinos are not likely to hire numerous employees. Internet gambling "has the potential to take huge sums out of the

entertainment/retail economy all over the nation without creating any replacement jobs,” he notes.

The debate over Internet gambling will no doubt continue in Washington and in state houses and courts across the nation. Two distinct positions on the issue have emerged – prohibit Internet gambling or regulate the activity. Supporters of regulation argue that laws prohibiting Internet gambling are virtually unenforceable given the international nature of the online casino business. Others suggest that the **outright** prohibition of Internet gambling will encourage fraud and organized crime involvement in online wagering.

Given Internet gambling’s likely contribution to increases in personal bankruptcy, fraud and crime, gambling addiction and underage gambling and its potential drain on the state and national economy, I support a complete prohibition of Internet gambling. I believe enactment of House Bill 2438 would be an important step toward this goal.

Thank you for your time and consideration.