

COALITION TO
STOP

INTERNET
GAMBLING

Dear Governors,

As you gather in Washington, D.C., there is an important issue that has arisen that you should be aware of. Allowing Internet gaming to invade the homes of every American family, and be piped into our dens, our living rooms, our workplaces, military bases, and even our kids' bedrooms and dorm rooms is a major decision. We must carefully examine the short and-long term social and economic consequences before Internet gambling spreads. We urge you to familiarize yourself with the issue and, once you do, we are confident that you will consider halting any effort in your state to legalize it.

For decades, the United States government consistently deemed the Wire Act to prohibit all forms of Internet gambling. However, on December 23, 2011, with Congress out of session, the Department of Justice ("DOJ"), acting on an opinion provided by its Office of Legal Counsel ("OLC"), and without input from Congress, state and local officials, or the public, abruptly overturned years of precedence.¹ This reversal directly conflicted with the longstanding position of DOJ itself *and* with a 2010 opinion of the DOJ Criminal Division.² OLC stated that only online *sports* betting is barred by the Wire Act and that the Act does not apply to online state lottery sales. We believe the reasoning behind this alarming reversal by the Department of Justice is flawed and that you must act to make sure this does not spread to your state. Additionally, we believe that Justice did not adequately account for all of the policy concerns surrounding the expansion of gaming to the Internet.

The regulation of gambling, subject to broad federal limitations (such as the Wire Act) and requirements (such as those found in UIGEA) has properly been the domain of the states – and should remain so. But, when gambling occurs in the virtual world, the ability of states to determine whether the activity should be available to its citizens and under what conditions – and to control the activity accordingly – is left subject to the vagaries of the technological marketplace. This seriously compromises the ability of states to control gambling within its borders.

¹ See Memorandum for Lanny A. Breuer, Assistant Attorney General, Criminal Division, from Virginia A. Seitz, Assistant Attorney General, Office of Legal Counsel (September 20, 2011).

² See Memorandum for David Barron, Acting Assistant Attorney General, Office of Legal Counsel, from Lanny A. Breuer, Assistant Attorney General, Criminal Division (July 12, 2010) ("USDOJ 2010 Memo").

Internet gambling will be a jobs killer, especially for the states with significant land-based casino presence. More than 330,000 Americans work in the casino industry. Hundreds of thousands more work in industries which are supported by licensed casinos. Internet gambling, especially if it includes a full assortment of casino style games, will reduce participation at brick and mortar casinos, with a commensurate impact on jobs in lodging, restaurant, entertainment and retail industries which rely on brick-and-mortar casinos. One analyst projects that legalized online gambling in New Jersey will “cannibalize \$25 million to \$50 million of land-based revenues at the state’s land based casinos.”

In addition to the potential negative effect on jobs in your state, the law enforcement community has identified the risks associated with Internet gambling. The FBI in 2013 warned that Internet gambling could be used by criminal elements for money laundering and fraud. The agency questioned whether the technology exists to guarantee that children and people with gambling problems are kept off, countering claims that such technology was available. In the same letter, it also rattled off a litany of potential abuses, including money laundering.

Congress, the states, law enforcement, and the public need – and deserve – an opportunity to fully review, assess, understand and debate the significant policy implications entailed in the spread of Internet gambling before it becomes pervasive in our society. We are asking that you take the first step and veto any bill that would expand Internet gambling even further in our society.

Sincerely,

Governor George Pataki

Senator Blanche Lincoln

Mayor Wellington Webb