

**Testimony of David Cookson,
Counsel to the Coalition to Stop Internet Gambling
For the March 7th Joint Senate and House Hearing on HB 392**

Chairman Scavello, Farnese, Petri and Hankins, thank you very much for allowing me the opportunity to present testimony on behalf of the Coalition to Stop Internet Gambling (CSIG) in strong opposition to HB 392's language that would allow internet gambling in Pennsylvania.

CSIG is a national effort to oppose internet gambling at the state and Federal levels. Before I discuss CSIG's substantive and principled opposition to internet gambling, it is important to review the shaky legal framework for internet gambling.

From the day President Kennedy signed the Wire Act in 1961, and for 50 years thereafter, the Department of Justice consistently interpreted the Federal Wire Act as covering all forms of gambling – whether it be on sports, horses, casino games or lotteries. Robert Kennedy, who was Attorney General at the time knew what the bill meant, because his Department proposed the original version and then worked with Congress as they revised the text.

To give law enforcement the tools to shut down online poker and other forms of internet gambling, Congress reinforced this interpretation in 2006, when it enacted the Unlawful Internet Gambling Enforcement Act or "UIGEA." This law prohibits any gambling businesses from knowingly accepting payments in connection with the participation of another person in a bet or wager that involves the use of the Internet.

On the Friday December 23rd, 2011, the Department of Justice's Office of Legal Counsel issued a 13 page legal opinion that reinterpreted the Federal Wire Act of 1961, concluding the law covers only bets on sporting events and contests. No laws were changed by Congress. No Federal court decision was issued. No new rules were promulgated. As the author of the Opinion, then-Assistant Attorney General Virginia Seitz later conceded, "it is just that -- an opinion."

As former Attorney General Loretta Lynch confirmed during her confirmation process, OLC opinions do not carry the force of law. They do not change the law. They can be withdrawn at any time and are– as President Obama's Justice Department did with certain OLC Opinions issued by the Bush DOJ. And, there is no "grandfathering."

In January of this year, Senior Justice Department Officials stated they would "revisit" the opinion.

If the OLC opinion is withdrawn, no online casino or lottery sites would be grandfathered or protected from prosecution – regardless of when they were authorized. Withdrawal would return the DOJ to the original, longstanding interpretation of the Wire Act, under which the Act could be enforced against sports and non-sports online gambling sites alike. Should any gambling sites remain in operation following such a decision, they risk being shut down by the federal enforcement, regardless of where they operate or when those sites were authorized.

The administrative overreach of the OLC opinion, the tenuous legal basis for internet gambling, the announced intention by the Justice Department to “re-visit” the OLC opinion and the inability to “grandfather” OLC opinions should give pause for any legislative action on internet gambling, in any state.

I know there has been discussion in Pennsylvania about using internet gambling revenue to fill a budget gap, but with the fluid situation in Washington, internet gambling is an unreliable and possibly non-existent source of revenue.

Beyond the problematic legal justification for online gambling, CSIG has a principled and deep opposition to allowing casino companies to put virtual slot machines in every Pennsylvania home and video poker on everyone’s mobile device.

Internet gambling is a threat to families and children. Supporters will tell you today that there is technology that can protect children and families from getting access to internet gambling sites. That is just not true. Was December 23, 2011- the date the DOJ issues its opinion- the day the Internet became safe?

There is no way to prevent a legal player from letting a child use their device to gamble. There is no way to guard against a child using their parent’s password to access online gambling sites.

The largest and most successful internet companies can’t successfully restrict child access. In 2014, Apple agreed to provide full refunds to customers, paying a minimum of \$32.5 Million to settle a FTC complaint that the company billed consumers for millions of dollars of charges incurred by their children, without their parent’s consent.

Lost in the debate about internet gambling are recent advances in technology that pose a fundamental issue over the fairness of internet gambling. Scientists right here in Pennsylvania, at the Pittsburgh Supercomputer Center, this January, built an artificial intelligence “bot” which handily beat four of the world’s best poker players over a 20-day tournament. The bot won \$1.8 Million.

One of the poker “pro’s” who played in the tournament stated, “It’s the toughest opponent I’ve ever played, and I’m not being generous. It’s stomping us out.” The scientist who created the artificial intelligence “bot” made it clear when stated” Of course, a lot of gambling people are worried that it may kill internet gambling for money.” One researcher revealed that a “client” had paid him tens of thousands of dollars to build a poker bot. “I imagine they are trying to play online with them,” The researcher said.

The internet gambling industry has little ability to guarantee that their customers are not playing against “bots” or using “bots” whom they cannot possibly beat. Why should the Commonwealth, with a strong track record of high gaming standards and rigorous enforcement, allow the fundamental integrity of legalized gambling in Pennsylvania to be undermined by internet gambling companies or individuals using poker bots to fleece gamblers?

Some will also argue that internet gambling is necessary to make Pennsylvania more competitive and improve economic development. Nothing could further from the truth. Internet gambling steals jobs and will damage the huge investment Pennsylvania casinos have made over the last decade.

In 2014, the Pennsylvania Legislative Budget and Finance Committee reported that *“PA casinos have made \$3.1 billion in initial capital investments and annually produce about \$2.9 billion in total output. PA casinos directly employ about 16,650 people. Casino operations and induced spending from casino employees support about 25,500 jobs and produce about \$3 billion annually in total economic output. Ongoing renovations and upkeep generate an additional \$81 million annually in total output, supporting another 600 jobs.”*

These results would not have happened if internet gambling was legal in Pennsylvania. Internet gambling will not lead to new economic development opportunities, because internet gambling is a job killer, not a job creator. Internet gambling companies want to get rid of casino workers and end investment in bricks and mortar, replacing casino and construction jobs with a few servers and IT staff overseas.

At a time when we are looking to grow employment in Pennsylvania and across the country, why would legislators approve laws that threaten to eliminate Pennsylvania jobs?

The legal basis for internet gambling is shaky and getting less secure. Internet gambling is a threat to children and families, it will also reduce investment in Pennsylvania jobs. For these and many more reasons, I urge this Committee to oppose the internet gambling provisions of HB 392 and any attempt to legalize online gambling in Pennsylvania.