

# Congress of the United States

## House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

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### Opening Statement Rep. Bonnie Watson-Coleman

#### Hearing on “A Casino in Every Smartphone – Law Enforcement Implications”

December 9, 2015

Thank you Mr. Chairman and welcome to our witnesses.

The law enforcement implications of online gambling are an important policy consideration. However, the evidence clearly demonstrates that with proper regulation, in-state online gambling poses no more challenges to law enforcement or risks to consumers than brick-and-mortar casinos.

According to the Department of Justice, in-state online non-sports gambling is not prohibited by the Wire Act or other federal gambling laws, so states may regulate online gambling within their own borders.

Currently, three states—New Jersey, Nevada and Delaware—have asserted their right to allow regulated online gambling within their borders and have created strong regulatory structures to provide oversight and enforcement of their state regulations. As a Member of the New Jersey State legislature I had the opportunity to vote for my state’s legislation that allowed regulated online gambling. I did so because I believed that legislation offered the best opportunity to mitigate the risks associated with online gambling. Since then, I have been pleased to see that our experience in New Jersey has proven that assessment to be correct.

These three states have not seen an increase in law enforcement challenges or consumer risks related to regulated online gambling in their state. New Jersey’s Director of Gaming Enforcement reported earlier this year, and I quote:

From a regulatory standpoint, our system is working. There have been no major infractions or meltdowns or any systematic regulatory failures that would make anyone doubt the integrity of operations. The issues that have arisen have been dealt with appropriately just like in the brick-and-mortar casinos.

The Division of Gaming Enforcement also established a comprehensive multi-factor geolocation standard that cross references multiple location data sources and has the capability to determine if software is being used to hide a device’s location. Please take a look at the video

screen. This is a slide from the company used in New Jersey to enforce the in-state online gambling requirement that play on licensed sites only occurs within the state.

Federal law enforcement entities have also not provided evidence of challenges related to regulated online gambling activity in those three states. This is contrasted with the significant challenges associated with unregulated off-shore online gambling such as limitations on monitoring transactions and activity on off-shore servers and low levels of international cooperation. The unregulated offshore gambling sites are not required to verify a player's age, identity or location and do not provide the significant evidence trail that regulated online gambling operators provide.

The National Fraternal Order of Police wrote in opposition to a ban of online gambling describing the threats that exist in the unregulated online gambling arena:

Not only does the black market for Internet gaming include no consumer protections, it also operates entirely offshore with unlicensed operators, drastically increasing the threat of identity theft, fraud or other criminal acts. There is also evidence that these gaming sites launder money for organized crime and help to finance terrorist networks.

I strongly agree.

Any legislative attempts to ban online gambling will drive U.S. patrons to access the unregulated off-shore gambling sites that pose greater risks to consumers. A federal ban also interferes with a state's right to decide what gambling is permissible in its borders and the right to create a regulatory framework that protects its citizens.

The best way to protect our citizens and support law enforcement is to allow states to establish a regulated system of oversight and enforcement for online gambling that will help drive illegal operators out of the marketplace. Instead of holding a hearing investigating legal, regulated online gambling, which we already know has been working, we should be investigating how to crack down on unregulated, off-shore websites that pose, by far, the greatest risks to our constituents and public safety.

New Jersey has set a model for regulation that protects its citizens. Other states that choose to allow online gambling can learn from the approach and experience of New Jersey.

Thank you, Mr. Chairman.

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