

**S.2340, AMATEUR SPORTS INTEGRITY ACT AND  
GAMBLING IN AMATEUR SPORTS**

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**HEARING**

BEFORE THE

**COMMITTEE ON COMMERCE,  
SCIENCE, AND TRANSPORTATION  
UNITED STATES SENATE**

**ONE HUNDRED SIXTH CONGRESS**

**SECOND SESSION**

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**MARCH 29, 2000**  
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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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## **S. 2340, AMATEUR SPORTS INTEGRITY ACT AND GAMBLING IN AMATEUR SPORTS**

**WEDNESDAY, MARCH 29, 2000**

U.S. SENATE,  
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,  
*Washington, DC.*

The Committee met, pursuant to notice, at 9:30 a.m. in room SR-253, Russell Senate Office Building, Hon. John McCain, Chairman of the Committee, presiding.

Staff members assigned to this hearing: David Crane, Republican Professional Staff; and Moses Boyd, Democratic Chief Counsel.

### **OPENING STATEMENT OF HON. JOHN McCAIN, U.S. SENATOR FROM ARIZONA**

Senator McCAIN. Good morning. Gambling on sports is a major concern. In recent years, we have seen an alarming escalation in the number and complexity of point-shaving schemes in college sports. Campus gambling is reaching epidemic proportions.

The study released just yesterday highlights statistics on gambling activities among college referees. Out of concern for this reality, the National Gambling Impact Study Commission recommended, among other things, closing the Las Vegas loophole that allows for legalized gambling on amateur athletics. The bill I introduced last week, the Amateur Sports Integrity Act, would do just that.

Opponents of this legislation argue that there is a distinction between legalized amateur sports gambling and illegal sports gambling. The firm distinction they attempt to draw is one of convenience rather than reality. The report produced by the Treasury Department's financial crimes enforcement network entitled, "Suspicious Activity Reporting on Casinos" discusses various ways in which the Las Vegas sports books are used to launder money.

In several recent college sports point-shaving schemes, the Nevada sports books were used as an integral part of overall game-fixing operations and, beyond a doubt, the Vegas point spreads published Nation-wide in newspapers and on sports radio serve to advertise, promote, and to facilitate illegal sports gambling.

The Gambling Commission stated in its final report, and I quote, "legal sports wagering, especially the publication in the media of Las Vegas and off-shore-generated point spreads, fuels a much larger amount of illegal sports wagering. By closing the Vegas loophole and banning college sports gambling completely, we will end a practice that has turned college athletes into objects to be

bet upon, exposing them to unwarranted pressure, bribery, and corruption.”

Ironically, the degree of this threat of corruption is best exemplified in the fact that Nevada, the only state where legal gambling on college sports occurs, has banned wagering on professional and amateur teams located within the state out of concern for the corrupting influence of sports gambling. One can go to Vegas and bet on any other team in the country, but not on any game where a Nevada team is playing.

In an increasingly jaded world, legalized gambling on all college athletes sends the wrong message to America’s youth. Collegiate competition serves as a laboratory classroom where young student athletes struggle to apply the highest ideals of the American character: courage in the face of adversity, discipline, team work, and self-sacrifice. These ideals and lessons are of particular importance in today’s society. They should not be reduced to a point spread in a spectacle for wagering.

I want to thank all the witnesses for being here this morning, and I would like to turn to Senator Hollings.

**STATEMENT OF HON. ERNEST F. HOLLINGS,  
U.S. SENATOR FROM SOUTH CAROLINA**

Senator HOLLINGS. Thank you, Mr. Chairman. I wanted to particularly commend you for having this bill referred to our Committee. Over the years—I have watched more recently the preemption of this jurisdiction of our Committee over at Judiciary. We would like to work closely with other committees of the Senate. This Committee over the years has held a number of hearings, as well as acted on legislation concerning amateur and professional sports—having worked with other committees and representatives of the private sector in doing so.

Admittedly, with respect to gambling we have had joint jurisdiction with the Judiciary, but exclusively we have the gambling on horse-racing bill by our distinguished Senator from Louisiana, Senator Breaux, in the 101st and 102d Congress.

The reason I mention this taking over is in respect to the FCC—the Kohl-DeWine merger bill that was referred to the Judiciary Committee with respect to this merger, the public interest analysis of the transfer of these licenses, that is exclusively within the jurisdiction of the Federal Communications Commission which is, of course, under our Committee.

And then more particularly again a privacy bill, the only committee that really had in-depth hearings and action is Senator Bryan’s bill on privacy with respect to the children, and we passed that out, but we see now that the Judiciary Committee has tried to take over on the online privacy, Children’s Online Privacy Protection Act.

So I really commend you on this particular measure here. I had hoped our colleague, the chairman of the Judiciary Committee, would have been here this morning. I will communicate with him directly, but I wanted to make that statement for the record, because you have been busy, and the Committee has seen a slight erosion, and incidentally I apologize for South Carolina.

[Laughter.]

Senator HOLLINGS. In the newspaper this morning, David Broder, there was no questions about it. I have been a candidate and gotten nowhere, but this gentleman got somewhere, and if you are going to run for President you have got to start out 2 years ahead of time, start getting your money and your organization. Our distinguished Chairman started out only 2 months ahead of time and got some money and got a heck of a lot of support but very little organization, and when he hit my State of South Carolina that thing was greased, and then they inserted a pun.

That greasing, Senator Stevens, had tremendous filth that finally came out from under the radar. Lee Atwater started that nonsense 25 years ago, and Lee Atwater was alive and well in the Republican primary in South Carolina, and it was not a proud day for our state. The party won, or the Governor won, but I wanted to publicly apologize to our Chairman, and as a result of your endeavor I am convinced now that we are going to begin to clean that up. Thank you a lot.

Senator MCCAIN. I thank you, Senator Hollings. I thank you for your friendship for many, many years, and I thank you for your kind comments.

Senator Stevens.

**STATEMENT OF HON. TED STEVENS,  
U.S. SENATOR FROM ALASKA**

Senator STEVENS. That is a tough act to follow, Mr. Chairman, but I do thank you for introducing this bill also, and I am very pleased that this bill will amend the sports Act that bears my name. I do think that there is no question that we should be dealing with doping and gambling. I would like to have my full statement appear in the record.

Senator MCCAIN. Without objection.

Senator STEVENS. I am concerned about the statistics that the American Academy of Pediatrics have provided that more than 1 million American children are addicted to gambling, addicted with a pathological gambling problem. I think that is as important as the problem of doping.

Last year we provided \$3 million to start an anti-doping campaign through the Olympic Committee, the USOC. There is no question that this is something that we should direct our attention to, and I share the commitment of Senator Hollings to the jurisdiction of this Committee. We never had the Amateur Sports Act referred to the Judiciary Committee, and I hope my friend will understand that this is an amendment to that Act, and it deals with sports.

Gambling and doping are two of the major problems with it, and I am pleased to see you are addressing them in this bill.

[The prepared statement of Senator Stevens follows:]

PREPARED STATEMENT OF HON. TED STEVENS, U.S. SENATOR FROM ALASKA

Thank you, Mr. Chairman. I commend you on the introduction of the Amateur Sports Integrity Act, though I am saddened by the need for our Committee to address the problems of doping and gambling in high school and college sports. Participation in sports should bring out the very best in athletes and inspire observers. Doping and gambling undermine the integrity of sports and have a corrupting influence on young athletes.

I am hopeful that Title I of the Amateur Sports Integrity Act, which creates a grant program for research into the use and detection of performance-enhancing drugs, will provide us with information to help us further address doping in sport.

Title II of the Act addresses gambling in high school and college athletics. Statistics of the American Academy of Pediatrics indicate that more than 1 million American children are addicted to gambling—that's addicted—with a pathological gambling problem. This problem must be addressed.

I look forward to the testimony of today's witnesses.

Senator MCCAIN. Thank you, Senator Stevens, and you have been the steward of the Olympics and amateur sports on this Committee, and I very much appreciate your support for the continued oversight jurisdiction by this Committee on those issues and your involvement.

Senator Bryan.

**STATEMENT OF HON. RICHARD H. BRYAN,  
U.S. SENATOR FROM NEVADA**

Senator BRYAN. Mr. Chairman, thank you very much. Although we disagree on this issue, I want to publicly thank you and your staff for working with our staff and accommodating my request for the witnesses to appear today. I want to say publicly that I do appreciate it, particularly our last-minute request, which you could very easily have said, look, you have had three, you have asked for four, and I very much appreciate that, Mr. Chairman.

Illegal sports wagering is a serious issue on our nation's college campuses and a serious problem for many students. On that we agree. NCAA officials estimate that every college campus has student bookies, and that illegal gambling is a growing problem among students and student athletes, and on that we agree.

One study found in a survey of six colleges in five states that 23 percent of students gambled at least once a week. The same study found that between 6 percent and 8 percent of students are probable problem gamblers. Unfortunately, the NCAA solution to this problem is the legislative equivalent of an air ball. It simply misses the mark.

The legislation before us today will do nothing to address this issue or to solve this problem. The National Gambling Impact Study Commission estimated that illegal sports wagering in the United States ranged from \$80 billion to \$380 billion annually. By way of contrast, legal sports wagering in the State of Nevada last year totaled \$2.5 billion, with roughly a third of that amount bet on college sporting events.

Based on these figures, the amount of money wagered legally in Nevada on college sports represents somewhere between 1 percent and a thousandth of 1 percent of the total amount wagered on sporting events annually in the United States. The NCAA and the supporters of this legislation ask us to believe that eliminating this 1 percent of legal wagering in Nevada will somehow curb illegal sports betting on our college campuses. This presents a classic case of the tail wagging the dog.

The tortured logic advanced by the NCAA in promoting this legislation goes something like this. Illegal sports wagering across the country depends on the publication of point spreads in the newspapers. Newspapers only publish point spreads because sports wagering is legal in Nevada. Eliminate legal sports wagering in Ne-



vada, and newspapers will no longer have a justification for publishing the point spreads. And finally, if point spreads are no longer published, illegal sports wagering declines.

The facts: Newspapers are not the only source of betting lines. Spend 5 minutes on the Internet and you can find dozens, if not hundreds of Web sites with sports betting line information. In addition, this information is available from dozens of 800 and 900 telephone services.

Secondly, decisions about whether to publish betting lines are made by newspaper editors responding to the interest expressed by their readers and I would also suspect that newspaper editors would argue vehemently that the First Amendment protects their right to publish betting lines irrespective of the locality of sports wagering in a particular venue. Prohibiting legal wagering on college sports in Nevada will not prevent newspapers across the country from publishing betting lines as long as newspapers believe their customers find this information useful.

The National Gambling Impact Study Commission invited the NCAA to testify on November 10, 1998 at a hearing in Las Vegas to provide their perspective on sports gambling and its impact on college sports. As a followup to that testimony, the NCAA was requested to submit additional information to the Commission and in a letter dated January 28, 1999, it outlined a number of recommendations aimed at addressing the problems of sports gambling on college campuses.

Included in these recommendations are the following gambling education awareness and prevention initiatives:

1) Industry-imposed curbs on youth exposure to gambling advertising. I support this proposal; 2) Government grants for the development of gambling education programs. I support this proposal; 3) A Government-funded national summit to examine the impact of sports gambling on youth. I support this proposal; and 4) training for health care professionals in screening gambling disorders among youth. I support this proposal.

The NCAA also recommended two additional measures: 1) greater enforcement of existing sports gambling and consumer laws. I support this proposal; and 2) passage of federal Internet gambling prohibition legislation. Not only do I support this proposal, I have coauthored legislation with Senator John Kyl which has already passed the Senate to prohibit gambling on the Internet.

Curiously enough, there is no mention, none, in the NCAA's letter of a recommendation to ban legal wagering on college sports in Nevada. In fact, in sworn testimony before the Study Commission on November 10, 1998, Mr. Bill Saum, the NCAA's director of agent and gambling activities, stated, and I quote:

"The NCAA is opposed to legal and illegal sports wagering, but much like this Commission [referring to the impact Study Commission], we have not drawn a moral line in the sand that we are going to come out and attempt to change the law.

Certainly, we would be adamantly opposed to any further legalization across the United States. If we are going to have sports wagering, let's keep it in Nevada and nowhere else. Let's not allow individuals to wager from outside the state lines.

So I do not think you will see the NCAA start a campaign to remove sports wagering from the State of Nevada, but you would see us jump to our feet if it would expand outside of state.”

Less than a year after Mr. Saum’s testimony was given, NCAA began lobbying Congress to ban legal wagering on college sports in the State of Nevada, and here we are today with a piece of legislation introduced with the full support of the NCAA that directly contradicts the sworn testimony of the NCAA’s presentation on gambling.

Unfortunately, the legislation addresses none of the recommendations, not a one, that the NCAA claims are needed to support the efforts to curb illegal gaming activity on college campuses, each of which, as I have previously indicated, I support.

Mr. Chairman, I would be happy to work with you and NCAA and anyone else to develop a thoughtful, common sense approach, by way of a legislative proposal or otherwise, that addresses in a meaningful way the problems of illegal sports gambling on college campuses in America. Unfortunately, in this instance this legislation does not accomplish that objective, and I oppose the bill.

Senator MCCAIN. Thank you, Senator Bryan. I would like to remind my colleagues we have a number of witnesses, including our colleagues, in two panels, so I would appreciate it if you would make your opening statement as brief as possible.

Senator Brownback.

**STATEMENT OF HON. SAM BROWNBACK,  
U.S. SENATOR FROM KANSAS**

Senator BROWNBACK. Thank you, Mr. Chairman, and welcome back. Glad to have you here chairing the Committee again, and on an important topic.

I introduced bipartisan legislation earlier this year, along with Senator Leahy, on sports gambling, intercollegiate athletic sports gambling ban. You folded that into this legislation, and I think it is an excellent thing to do, and I am strongly supportive of this legislation and a proud sponsor of the Amateur Sports Integrity Act.

The legislation I had introduced earlier was in direct response to the recommendations made by the National Gambling Impact Study Commission that Senator Bryan was commenting on earlier, which last year concluded a 2-year study on the impact of legalized gambling in the country.

The recommendation called for a ban on all legalized gambling on amateur sports, and is supported by the NCAA, which, I might add parenthetically, represents more than a thousand colleges and universities nation-wide, coaches, teachers, athletic directors, commissioners, university presidents, across the board. This bill would prohibit all legalized gambling on high school and college sports as well as the Summer and Winter Olympics.

Mr. Chairman, the nation’s college and university system is really one of our greatest assets. We offer the world the model for post-secondary education, and frequently sports are the window in which people first see those colleges. But sports gambling has become a black eye on too many of our colleges and universities.

Gambling on the outcome of college sporting events tarnishes the integrity of the sport and diminishes the esteem in which we and

the rest of the world hold U.S. post-secondary institutions. This legislation will remove the ambiguity that surrounds gambling on college sports and make it clearly illegal in all 50 states.

We should not gamble with the integrity of our colleges or the future of our college athletics. Our young athletes deserve legal protection from the seedy influences of gambling, and the fans deserve to know that athletic competitions are honest and fair.

Gambling scandals involving student athletes have become all too common over the past 10 years. In fact, there have been more point-shaving cases at the college and university level over the past 10 years, in the decade of the nineties, than in all previous time combined. These scandals are a direct result of an increase in gambling on amateur sports.

It was just 2 years ago, during the Final Four, that we learned of the point-shaving scandal at Northwestern University involving their men's basketball team. This scandal involved both legal and illegal gambling on several Northwestern games.

Kevin Pendergast was at the press conference when we introduced the bill on banning gambling on amateur athletics. He was a former Notre Dame place kicker who orchestrated the basketball point-shaving scandal at Northwestern University. He stated that he would never have been able to pull his scheme off without the ability to legally lay a large amount of money on the Las Vegas sports books. In fact, the last two major point-shaving scandals involved legalized gambling in Las Vegas sports books.

A study just conducted by the University of Michigan—and Mr. Chairman, this one really troubled me, and it just came out yesterday—found that 84 percent of college referees said they had participated in some form of gambling since beginning their careers as referees. Nearly 40 percent also admitted placing bets on sporting events, and 20 percent said they gambled on NCAA basketball tournaments. Two referees said they were aware of the spread on a game, and that it affected the way they officiated the contest.

This is just a new study out from the University of Michigan. Some reported being asked to fix games they were officiating, and others were aware of referees who, “did not call a game fairly because of gambling reasons.” That is a very troubling finding from the University of Michigan.

Opponents of our legislation have tried to discredit our efforts by insisting we should be focusing our efforts on curbing illegal gambling, not legal gambling. Now, I agree that we should be looking at ways to help law enforcement and institutions of higher education combat illegal gambling, and I would hope that Senator Bryan and I could cosponsor legislation to do that.

Legislation has been introduced that would create a panel to investigate and make recommendations with respect to illegal gambling. I am supportive of these efforts, but the fact remains that gambling on student athletics, whether legal or illegal, threatens the integrity of college sports. Banning legalized gambling on amateur sports serves notice that betting on college games or student athletes is not only inappropriate but can and does result in significant social cost.

The National Gambling Impact Study Commission recognized the potential harm of legalized gambling by stating that sports gam-

bling, “can serve as gateway behavior for adolescent gamblers and can devastate individual careers.”

Now, Mr. Chairman, I want to make one other point that we raised at the press conference. I encourage colleges and universities from across the country to contact the Nevada Gaming Control Board and ask them to do for their colleges what they do for Nevada schools. Presently, it is illegal to bet in Nevada on a Nevada college team. You cannot go to Vegas and bet on UNLV, on their basketball game, because the state legislature in Nevada said that that would be unseemly and it might have an impact or tarnish the image of UNLV sports.

Well, what is good for the goose is good for the gander. I would like to ask, and did then and ask again now, the Nevada Gaming Control Board if the Board of Regents of the University of Kansas petitioned them to remove the University of Kansas from the sports book, from the line, will you please remove them, and will you state here today that yes, you will? If the Governing body of that institution of higher learning asks to be removed for the same reasons that UNLV was removed, will you remove that institution?

If this is an issue of state’s rights, I would hope that my State has that right, to be able to be pulled off of the board, and I hope that the presenters from the Nevada Gaming Control Board will say “yes” today, that you will do that, that that would be a more preferable way for us to move forward with this issue of State’s rights.

Mr. Chairman, we have a number of excellent presenters today, and I am looking forward to hearing their testimony, and I realize that a ban on collegiate sports gambling will not eliminate all gambling on college sports. However, a total ban will prevent another avenue for those participating in point-shaving scandals to spread out their money.

We have already had people testify that they use the legal book to spread out their money. If enacted, there will be no ambiguity about whether it is legal or illegal to bet on college sports. As part of a broader strategy to resensitize the public to the problems associated with college sports gambling, it will make a difference. We should not wait for another point-shaving scandal in order to act, and we will have another one if we do not act.

Mr. Chairman, thank you very much for holding this hearing today. I look forward to the testimony of the witnesses.

Senator MCCAIN. Thank you very much, and before I recognize Senator Breaux, could our first group of witnesses—I notice Senator Reid there, and Congressman Gibbons, and any of the other congressional Members who are here, please come forward?

Senator Breaux.

**STATEMENT OF HON. JOHN B. BREAUX,  
U.S. SENATOR FROM LOUISIANA**

Senator BREAUX. Thank you very much, Mr. Chairman, and I also would join our bipartisan welcome back to the Committee. We are delighted to see you at the helm of the ship, and look forward to working with you.

With all due respect to three authors of the legislation on the Committee, and I have respect for all of them and certainly do not

question their motivation in offering the legislation, I know they are truly motivated and trying to accomplish what they want to accomplish with their legislation, but I will give you 10 to 1 odds that if legislation was passed that it would not affect gambling on amateur sports in America.

The reason I say that is because gambling on amateur sports in America is already illegal. In 49 states it is illegal, and the only state where it happens to be legal, which is Nevada, is the state where that activity is regulated, where it is reported, where taxes are collected on it, where minors are banned from participating by law in the process, and yet in the other 49 states gambling on amateur sports occurs every day.

It occurs in Washington. It occurs in our offices. How many of our offices have had pools on the Final Four, and football pools and everything else? I mean, how many states have illegal bookmakers making book and bets on amateur sports all over the country? Those activities, which are astronomical in terms of the volume, are already illegal activities. They are not reported, they are not regulated, taxes are not collected, and minors are not banned—in fact they participate on a regular basis.

So it is clear in my opinion what the problem is. The problem is, we are not enforcing the laws in the 49 states where this activity is already illegal, and the only state where it is legal, it is regulated. It is regulated by law, and the laws are being enforced.

So I think that the answer here is clear. Let's enforce the laws that are already on the book. Address the problem the way it should be addressed. The real problem is that it is not regulated in the other 49 states, and I just would suggest, with due respect—and again I do not question the motivation of the authors of the legislation. They are well-motivated. I just would suggest this is certainly not the answer to the problem, to the extent that a problem exists.

Thank you.

Senator MCCAIN. Thank you. Senator Reid.

**STATEMENT OF HON. HARRY REID,  
U.S. SENATOR FROM NEVADA**

Senator REID. Mr. Chairman, some of us do question your motives. We have felt you have really moved forward on this once Arizona lost in the first round of the NCAA tournament.

[Laughter.]

Senator MCCAIN. Guilty.

[Laughter.]

Senator REID. Mr. Chairman, I would ask your consent that the full statement that I have prepared be made a part of the record.

Senator MCCAIN. Without objection.

Senator REID. Mr. Chairman, first of all I say to my friend from Kansas it is not true that the nineties has had more point-shaving scandals than any other time. The facts are clearly opposite that. I do not think we need to get into the detail of this. I think the fact of the matter is that we have legal gambling going on in the State of Nevada where Congress for the last 15 or 20 years, it has really focused on state's rights. Let each state do what they feel is best unless there is some overriding national problem.

There is not one here. As Senator Bryan has so aptly stated, the State of Nevada's overall gaming on college sports is, he said, 1 percent. That is being generous. It is less than 1 percent of all gambling that takes place. That 1 percent or less is legal. Someone comes to the State of Nevada to bet on a game, you look, the odds are posted, people know what the odds are going to be, if they win, they get paid off, if they lose, there is no one going to be out beating them up on some street corner because they did not pay off quick enough.

I think, Mr. Chairman, that knowing how you feel about Government, that you should join with us in the legislation we have sponsored that says, if we have a problem with illegal gambling, which we all acknowledge there is on college sports, let us take a look at it, find out where it is taking place, and then get the Justice Department to do something about it.

The problem in Nevada, if you look around the newspapers in the country, the odds are not posted from Las Vegas, they are posted by newspapers. They have people that earn a living posting the odds of these games. They do not come from Nevada.

So I would hope that you would join with us in our legislation. After this legislation is passed and the study is completed that there is some finding that Nevada is at fault, then come back and look at it again. But I think you are really jumping ahead of where you should be.

In short, Mr. Chairman, I believe that the experience that I have had—and I benefit from experience. 4 years I was a chief gaming regulator for the State of Nevada. I was chairman of the Nevada Gaming Commission, and I know something about illegal gambling.

I think we in Nevada have done a good job of regulating gambling. We know what it means. You know, you are dealing with cash, and unless you have good regulation and control, problems develop. But as good—I know that the intentions of you and Senator Brownback are good. You are good people, and you mean well, but I would ask that you look at how we should approach Government, and the way we are doing it in this instance is simply wrong. The current laws, if they are insufficient, do something about them. Why pick on the State of Nevada.

It is easy—the obvious answer is, it is easy because it is something that you can pick at, and the NCAA, this has been fun for them because it diverts attention from their incompetence. The NCAA is incompetent in how they manage amateur athletics, as evidenced by the young man at St. John's who traded a used car for a used car and they suspended him three games from playing basketball, and the numerous other instances of the NCAA, how they have been unfair to assistant coaches. It took a lawsuit to get assistant coaches so they were paid more than minimum wage. So I understand why the NCAA is doing this. It diverts attention from their lack of jurisdiction.

Mr. Chairman, you are a sister state. Arizona is a sister state to the State of Nevada. The State of Nevada has bent over backward to try to be good neighbors. We do not allow people to play slot machines or to even drink alcoholic beverages until they are 21 years of age, even though other states allow somebody drinking alcoholic beverages when they are 18 years old. We have tried to set an ex-

ample so that Nevada cannot be used as an excuse for pointing out how bad Nevada was in what they personally have decided should be the law.

And I would hope that you would give Nevada the fact that we have done a good job of regulating gambling. We have done a good job of regulating college betting on games, and I would hope that you will join us, I repeat, in the legislation that we have initiated to take a look at illegal gambling on college sports, and do something about it, and not look at the less than 1 percent of gambling that goes on in college sports, and when and if you are able to accomplish that, everyone raises their hand and says, aren't we great, we have done this wonderful thing by eliminating betting on college sports, when you have eliminated less than 1 percent of it, and the saloons and drug stores and service stations where this betting takes place goes on as usual.

Thank you, Mr. Chairman.

[The prepared statement of Senator Reid follows:]

PREPARED STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM NEVADA

Talking Points:

- First, let me stipulate, that I am opposed to illegal gambling on college sports.
- While I appear before this Committee today as a Senator I want this Committee to understand that my testimony is based, in part, upon my experience as the former Chairman of the Nevada Gaming Commission.
- Gaming is a cash industry that absent meaningful regulation invites mischief.
- Indeed, it works in Nevada because of the effective meaningful regulatory framework that oversees this industry.
- I believe the proposal before this Committee today misses the mark in several key respects.
- Illegal gambling, whether in the dorm rooms of our colleges or the saloons and taverns throughout the country, is wrong and more should be done to crack down on it.
- However, banning lawfully regulated college gambling in Nevada—which represents 1 percent of gambling on college sports—will not address the problem of illegal gambling.
- Where is the evidence that banning the 1 percent of legal college wagering in Nevada will eliminate illegal gambling on colleges?
- Where is the evidence that current laws are insufficient?
- I would suggest such evidence does not exist.
- We do not need new laws—we need better enforcement.
- I've proposed legislation directing the Department of Justice to appoint a special task force to study and report to Congress on the measures that could be taken to curb illegal gambling.
- I appreciate the NCAA's interest in protecting the integrity of college sports.
- But the NCAA's efforts to define this issue as arising out of Nevada and afflicting college campuses is simply a red herring.
- Walk into any local bar or tavern and you're likely to find an illegal bookie.
- Walk into any office today and you're likely to find a pool on the Final Four.
- Will this ban eliminate this?
- Are we going to start referring March Madness office pools down to the Justice Department for prosecution?
- Of course not, and the NCAA should abandon the use of this red herring.
- I believe they are in a position to actually do something to clean up the beleaguered reputation of college sports right now.
- They are reaping millions of dollars in revenues from contracts they're signing with broadcasters to cover these games.
- Perhaps they could be using some of that money to mount educational campaigns not unlike those being done to combat drug and alcohol abuse on our campuses.
- I believe we need to follow the money a little more.
- What is being done with all of this money?

- I believe the NCAA has an obligation to put its money where its mouth is and do something to curb this problem on their member campuses.
- The fault lies not in Nevada and the solution is not a ban.
- I believe the solution involves a better understanding of the illegal gambling, meaningful enforcement of existing laws and greater cooperation from the NCAA.
- That said, I also believe these bans neglect to recognize the good work done by Nevada resorts to work with law enforcement in preventing point shaving scandals on college campuses.
- They realize it is in their best financial interests not to have any scandals.
- That is why they go to such great lengths to provide a safe regulated environment for the operation of their sports books.
- Finally, I wish to say a few words about states rights.
- Since 1994, Nevada, more than any other state in the union, has been targeted for federal initiatives that are anathema to the people of Nevada.
- Whether it's nuclear waste or morality based anti-gambling initiatives—the Republican Congress has sought to subvert and trash the 10th Amendment rights of the state of Nevada.
- It is at best ironic that the party which professes to care most about states rights is again pushing legislation which is clearly so violative of those rights.

Senator MCCAIN. Thank you, Senator Reid.

Senator REID. Mr. Chairman, if you do not have any questions for me, could I be excused?

Senator MCCAIN. Please. Please. I know we have a vote coming up. I thank you very much, and I thank the patience of all of my colleagues from both sides.

Senator Edwards.

**STATEMENT OF HON. JOHN EDWARDS,  
U.S. SENATOR FROM NORTH CAROLINA**

Senator EDWARDS. Thank you, Mr. Chairman. Mr. Chairman, the people of North Carolina are excited about having their state represented in the Final Four this coming weekend and, in fact, with any luck, I plan to be there on Saturday and hopefully on Monday night, and we are excited because of our love for our state, our pride in the University of North Carolina, and appreciation of the student athletes who have made basketball a way of life in our State of North Carolina.

While the people in North Carolina are excited about the Final Four for all of the right reasons, there are people in Nevada who are excited for all of the wrong reasons. Bookies in Nevada are on the edge of their seats because they stand to make hundreds of thousands of dollars this weekend from gambling on the Final Four. Instead of rooting for a university because of loyalty, bookies in Nevada will root for a team for one reason, and only one reason, money.

Gambling on college sports, which is currently illegal, as we all know, in 49 states, has led to numerous point-shaving scandals in the 1990's. In fact, there were more point-shaving scandals in the nineties than in the previous five decades combined. Eight major universities were cited in the nineties for point-shaving scandals, and no school is immune, not even the most well-respected programs. Something has to be done to stop this, and that is why we are proud to cosponsor the legislation that we are hearing about today.

I want to applaud Senator Brownback and Senator McCain, the Chairman, for their work in this area as well as the numerous other Senators who have been involved in this and have been will-



ing to look past partisan politics to what is right for thousands of amateur student athletes on our college campuses across the country.

The National Gambling Impact Study Commission, a study funded by Congress and released in 1999, recommended that betting on collegiate and amateur athletic events that is currently legal be banned altogether. This report goes on to say of sports wagering, it puts student athletes in a vulnerable position it can serve as gateway behavior for adolescent gamblers, and it can devastate individuals and careers.

This ban has the support of Coach Dean Smith, Coach Herb Sendek of North Carolina State University, Coach Krzyzewski of Duke, and Coach Bill Guthridge of the University of North Carolina, as well as more than 60 other coaches across the country.

In addition, I have heard from school administrators from all across North Carolina, from students who have been involved in point-shaving schemes, and from the commissioners of the Big South and Atlantic Coast Conference who support this ban. The support of these groups is a clear indication that there is a real and legitimate concern over the impact of legalized gambling on college games. Student athletes should go to college to receive an education, not to be involved in point-shaving scandals. They should go to college to learn invaluable lessons, not to make money from the gaming industry in Nevada.

This bill is not intended to solve all of the gambling problems in America. It will not stop the millions of dollars that are gambled illegally in office pools or over the Internet. It will, however, start to restore some of the integrity that college athletics has lost due to recent point-shaving scandals, and it will prevent casinos in Nevada from raking in close to \$1 billion annually on amateur athletics. It sends a clear and unmistakable signal that we believe gambling on college sports is wrong.

When I watch the University of North Carolina play on the hardwood in Indianapolis this weekend, I want to be reminded of Michael Jordan hitting the game-winning shot against Georgetown in 1982 in the national finals, and Grant Hill leading Duke to victory over UNLV in 1991 in the national semifinals. I do not want to think about the reasons why, if these games were played this weekend, that the UNC-Georgetown game could be wagered on but not the Duke-UNLV game.

Politicians in Nevada have outlawed betting on universities in their very own state. They recognize the potential for corruption that can be caused by gambling on college athletics. If gambling is so bad that they do not allow wagering on their own schools, why do they have the right to gamble on our schools? I believe I speak for the majority of North Carolinians when I say the casinos in Nevada should leave our college athletes and institutions alone.

Now, we will hear today from folks in Nevada about how well-regulated the gaming industry is, and how they helped discover the point-shaving scandals. We will not hear much, though, about the millions of dollars they give annually to politicians. You will not hear them talk about the influence their money has here in Washington, and you will not hear them talk about the billions and billions of dollars their casinos make by other means.

If the gaming industry truly wants to be a part of the solution and not part of the problem, they will do away with legal gambling on college sports. I support this ban not to cripple the gaming industry. I will guarantee you that the lights in Las Vegas will not go out if college sports gambling stops. I support this ban because it is the right thing to do. Student athletes should not be money-making magnets for casinos in Nevada. They are students first and athletes second, and it is about time we all started treating them that way.

Thank you, Mr. Chairman.

Senator BROWNBACK. (presiding) Thank you, Senator. We are going to call a vote now on the bill on the Committee.

[Laughter.]

All those in favor.

[Laughter.]

We have a vote on the floor, but we will keep this going and Senator McCain and others will be back shortly.

Congressman Gibbons, we will go with you next.

**STATEMENT OF HON. JIM GIBBONS,  
U.S. REPRESENTATIVE FROM NEVADA**

Mr. GIBBONS. Thank you very much, Senator Brownback, and to the Committee. I want to thank you and the members of the Commerce Committee for allowing me an opportunity to express my strong opposition to Senate bill 2267.

As the senior Congressman from Nevada, the only state where sports wagering is legal, it is my pleasure to have the opportunity to share my thoughts with you on this issue, and I dare say in rebuttal to some of the accusations that have been presented so far, that the point-shaving scandals have neither been supported nor started by any of the legal gaming institutions in the State of Nevada, and I think it would be an error for anyone to associate or to ally the legal, highly regulated sports betting industry in Nevada with the issues of those illegal sports betting problems that were raised so far.

And like this Committee, and like you, Senator Brownback, I firmly agree, and I join you in the commitment that maintaining the integrity of our collegiate athletics is an important goal. However, this bill misses that goal by a mile.

Considering the fact that there is absolutely no plausible evidence to suggest that legal betting in Nevada in any way is responsible for the illegal sports wagering occurring in, around, and on our Nation's college campuses, also legal wagering on sports in Nevada makes up only 1 to 3 percent maximum, as you heard earlier, and that no one in the State of Nevada under the age of 21, no one who is not an adult and responsible for their own actions, is allowed to gamble in our state. The other 99 to 97 percent of the illegal betting occurs under existing federal and state laws in every of the 49 other states in this Union.

By banning legal sports betting in Nevada, you will actually eliminate a tool used by law enforcement to detect unusual betting patterns leading to illegal activity such as the point-shaving scandal involving Arizona state university basketball players in 1994. Consequently, law enforcement experts, including a former FBI of-

ficial who you will hear from today, have stated that a ban as proposed in S. 2267 will not make a dent in illegal gaming.

So what would be the effects and, indeed, the unfortunate consequences of this misguided legislation? Well, first, Senate bill 2267 would create an unfortunate and undue economic burden on the thousands of Nevada families whose livelihood depends upon this industry. Second, Senate bill 2267 is an illegal bookie's dream, as it would not in any way assist with the enforcement of our current laws limiting sports gaming. Even the NCAA director of agent and gambling activities has stated on national television that when it comes to law enforcement the NCAA has, and I quote, "a good relationship with the sports books in Nevada."

Later today you will have the opportunity to learn more about Nevada's tightly regulated and well-respected gaming industry from the Nevada Gaming Commission chairman, Brian Sandoval. Mr. Sandoval is a highly regarded regulator and will detail the success Nevada has had in enforcing its gaming laws, which include taking bets from only individuals who are physically present in the state, and at least 21 years of age.

We need to support effective law enforcement measures which reduce the pervasiveness of illegal sports betting on and off our Nation's college campuses. Perhaps the NCAA should look in the mirror and reconsider the numerous Final Four sweepstakes which the NCAA and its corporate sponsors promote during March Madness.

In closing, Mr. Chairman, it is my hope that this Committee will not miss the opportunity to address the real problems of illegal sports betting, rather than focusing on Nevada's highly regulated industry in an attempt to remedy the social problems of illegal sports wagering on college campuses.

I want to thank you and this Committee for the opportunity to share my thoughts on this important issue, and I welcome your questions.

[The prepared statement of Mr. Gibbons follows:]

PREPARED STATEMENT OF HON. JIM GIBBONS, U.S. REPRESENTATIVE FROM NEVADA

Mr. Chairman:

I would like to thank you and the members of the Commerce Committee, for allowing me the opportunity to express my strong opposition to S. 2267, the Amateur Sports Integrity Act.

As the senior Congressman from the State of Nevada, the only state where sports wagering is legal, it is my pleasure to share my thoughts on this issue.

Like you, I firmly agree that maintaining the integrity of college athletics is an important goal.

However, there is absolutely no plausible evidence to suggest that the legal sports betting in Nevada is responsible for the illegal sports wagering occurring mostly on our nation's college campuses.

Legal wagering on sports in Nevada makes up only one to three percent of all sports bets nationwide. The other 97 to 99% occurs illegally under existing federal and state laws.

By banning legal college sports betting in Nevada, you will actually eliminate a tool used by law enforcement to detect unusual betting patterns leading to illegal activity, such as the point shaving scandal involving some Arizona State University basketball players in 1994.

Consequently, law enforcement experts, including a former FBI official who you will hear from later today, have stated that a ban as proposed in S. 2267 would *not* make a dent in illegal gambling.

So, what would be the effects of this misguided legislation?

First, S. 2267 would create an undue economic burden on thousands of Nevadans, whose livelihoods depend on the upstanding reputation of the casino-entertainment industry.

Second, S. 2267 would not, in any way, assist with the enforcement of our current laws limiting sports gambling. Even the NCAA Director of Agent and Gambling Activities has stated on national television that when it comes to law enforcement, the NCAA has “had a good relationship with the sports books in (Nevada).”

Later today, you will have the opportunity to learn more about Nevada’s tightly regulated and well-respected gaming industry from the Nevada Gaming Commission Chairman, Brian Sandoval. A highly regarded regulator, Mr. Sandoval will detail the success Nevada has had in enforcing its gaming laws, which include taking bets only from individuals who are physically present and at least 21 years of age.

We need to support effective law enforcement measures which reduce the pervasiveness of illegal sports betting on and off of our college campuses.

And perhaps the NCAA should look in the mirror and reconsider the numerous “Final Four” sweepstakes which the NCAA and its corporate sponsors promote during “March Madness.”

In closing, I would like to echo the concern recently expressed by Washington Post columnist George Will on this issue. In his March 12th column, he stated that this measure “sets some sort of indoor record for missing the point.”

It is my hope that this Committee will not miss the point, and that it will not go forward with this legislation.

Banning a legal and well-regulated sports betting industry is a misguided attempt to remedy the societal problem of illegal sports wagering on college campuses.

Thank you for this opportunity to share my thoughts on this important issue, and I welcome your questions or comments.

Senator BROWNBACK. Thank you, Congressman Gibbons.  
Congressman Graham, welcome.

**STATEMENT OF HON. LINDSEY O. GRAHAM,  
U.S. REPRESENTATIVE FROM SOUTH CAROLINA**

Mr. GRAHAM. Thank you very much. I do not know what more to add, but let me just kind of give you a brief overview of how I came to the issue.

I did not wake up one day thinking about this. The NCAA contacted our office and we talked with Congressman Roemer and Congressman Wolf, and it was in response to a perceived need, if nothing else, by the NCAA that college sports betting has gotten to be a problem and will continue to be, and there is some objective evidence from the National Gambling Impact Study Commission to suggest that we need to ban gambling on college and amateur athletics, and I looked at the study, and it really makes sense to me, and I would like to address a couple of issues brought up by our friends from Nevada.

If I were in Nevada I would probably be doing what they are doing, because it is an important issue in their state and there is a lot of money involved, but this is not a state’s rights issue to me, Senator Brownback, and I appreciate the chairman for having this hearing now, because we know what is going on this weekend. There will be a lot of attention focused on college athletics in a positive way.

In 1992 there was a national solution to a national problem called the Professional and Amateur Sports Protection Act, and within that Act Congress grandfathered certain states to allow continued betting—Nevada, Oregon, Montana, and Delaware—and we are just honestly dealing with Nevada.

I would argue that there is no state’s rights issue here because the legislation in 1992 prohibited any state from starting legal betting, or engaging in legal betting on college or amateur athletics.

What we are having to do is revisit a national solution and see if we need to close the loophole created in 1992, and unfortunately I think the answer is yes.

Now, each member of the Committee, Mr. Chairman, can decide on their own whether or not in the nineties college sports was adversely affected by a billion-dollar industry in Nevada, and you can make that decision without my input, but I would suggest to you it is not a great leap in logic to suggest that \$1 billion on the line, some kid who is 18 years old, comes from a poverty situation, may miss a foul shot, may drop the ball when he could have caught the ball. It does not take much reasoning, I think, to understand that \$1 billion on the line every year is going to affect the game adversely.

In 1992, we took a national approach to this problem. We banned the future of legal betting on college and amateur sports except in some states. Now it is time to revisit whether or not that grandfather clause is serving the country well. I would suggest to you from the NCAA's point of view and other people involved within this issue, we need to revisit this national solution again and close this loophole, because a \$1 billion bet every year on college sports will eventually hurt college sports if it has already not done so. That is why I am here today, Mr. Chairman, for the love of the game.

Thank you.

Senator MCCAIN. Thanks very much, Congressman Graham. Congresswoman Berkley, welcome.

**STATEMENT OF HON. SHELLEY BERKLEY,  
U.S. REPRESENTATIVE FROM NEVADA**

Ms. BERKLEY. Thank you, Mr. Chairman, Committee members, for allowing me to testify before you today. March Madness is upon us, and illegal gambling on basketball is sweeping the country. I am sure that you are shocked, too, but I have learned that illegal office pools are operating right under our noses here on Capitol Hill.

Senator MCCAIN. Congressman Berkley, let me point out something to you. As long as the person who is running the pool does not take part of the gambling, that it is not illegal in America, so let us try to make that clear.

Mr. GRAHAM. May I be excused, Mr. Chairman?

Senator MCCAIN. Yes.

Ms. BERKLEY. Now, office pools are regarded as harmless pastimes, but there is illegal gambling going on, and we should be fighting against it. Organized on-campus and off-campus betting operations will rake in massive profits, ruining lives on and off campus. Unfortunately, some Members of Congress and the NCAA think the best way to combat the menace of illegal sports book-making—and this is shocking to me—is to outlaw legal sports betting in Nevada.

Never mind that Nevada's legal sports betting is strictly regulated, taxed, and available only to persons over 21 who are physically present in Nevada, the NCAA still wants to outlaw it, and the NCAA persists in pushing illogical legislation that will do nothing to eliminate illegal sports betting in this country.

This legislation takes the upside-down position that the Nation's \$380-billion-a-year illegal sports gambling problem will go away if Congress outlaws legal wagering in Nevada, a regulated business that generates far less than 1 percent of the illegal action in the other 49 states. It does nothing to fight illegal gambling.

The sponsors of this legislation fail to answer the threshold question of how closing legal sports books in one state will do anything about illegal wagering by college students and others in the other 49 states.

The sponsors claim that it will send a message to young people, but with all due respect to my colleagues in Congress, I sincerely doubt that young people know or care whether gambling is legal in Nevada, much less whether Congress has acted, and I listened with great interest when Senator Edwards spoke of the bookies in Nevada making hundreds of thousands of dollars this past week for the NCAA tournament. I would say to Senator Edwards that he look to the illegal bookies in North Carolina and investigate how much money they will be making while the Senator is sitting home cheering for his team.

We need better education and law enforcement, not a punitive measure against one state's primary industry. Closing our sports books to send this message is like closing restaurants to send a message to young people about alcohol. We need legislation that will attack illegal sports betting head-on, and that is why I am introducing the Illegal Sports Betting Enforcement Act that I hope you will take time to review and support, and I would like to briefly compare the legislation.

My bill boosts law enforcement's efforts to crack down on illegal betting operations, hitting hard at illegal book-making rings. The NCAA bill does absolutely nothing to help law enforcement. My bill would investigate the scope and uncover the causes of illegal campus betting. The NCAA bill does nothing, no studies, no investigations, no public service statements, nothing. My bill calls on the NCAA to step up gambling prevention programs on campuses. The NCAA proposed bill takes no responsibility.

Mr. Chairman, Nevada is not the problem. Please look at the Illegal Sports Betting Enforcement Act I am proposing. It is clearly the better choice, and I want to thank you very much for giving me the opportunity to share my thoughts with you. I have long been an admirer of yours, never more so than over the last several months.

Senator MCCAIN. Thank you very much, Congresswoman Berkeley.

Congressman Roemer, welcome.

**STATEMENT OF HON. TIM ROEMER,  
U.S. REPRESENTATIVE FROM INDIANA**

Mr. ROEMER. I would ask unanimous consent for my entire statement to be entered into the record.

Senator MCCAIN. Without objection.

Mr. ROEMER. Thank you, Mr. Chairman. I first of all want to thank you for holding this hearing, and I hope that the House side will also hold a hearing so that the Members of Congress can get the relevant and important and necessary information on this act

so that we can learn about it and we can vote it up or down and not have people downtown or uptown, or people from one side or the other in Washington, D.C. saying that this is dead legislation. Let the Members of Congress decide whether or not this legislation will pass.

I want to thank Mr. Brownback and Mr. Leahy, who I have joined on cosponsoring this, and Mr. Graham for his support on the House side.

You know, Mr. Chairman, we came just recently through the Oscars, and we had Oscars awarded to different movie stars in this country who are good at following direction, following script and getting an Oscar for doing precisely that. It is tough to get a ticket to an Indiana high school basketball game or a Notre Dame football game on a Saturday because of the magic and the uncertainty of the outcome of sports. It is not scripted.

Nobody knows on a given day who might defeat whom on the playing field. When a 17-year-old or an 18-year-old throws a pass or steps to the free throw line, that magic and that purity in this country is not questioned as to whether or not that person is going to make it or miss it determined by the sports betting line. If it is, then the integrity of our amateur athletics are severely questioned, and we probably lose support and audience for sports across the board. I am here today because I believe in the magic of that competition and the uncertainty of the outcome.

Now, I think the threshold questions to ask, Mr. Chairman, are first, who knows the most about the threat to college athletics today? Is it us, sitting in this room? Is it the people downtown in Washington, D.C.? Or are they the college presidents? Are they the college coaches? Are they the college athletes?

Those three groups of people: coaches, presidents, and athletes support our bill as one of the highest priorities for them in this session of Congress. We have university presidents writing to us. We have coaches, and you will hear from the distinguished coach from Connecticut, a champion coach from last year, Jim Calhoun, talk about this problem. We have Dean Smith and Joe Paterno and Bob Davie and Matt Doherty on our side on this issue.

Secondly, what is the value of this legislation? The value is to protect the magic of sports and the integrity of teenagers. Now, we can bet almost on anything in this country, in America. They allow betting on Super Bowls, on horses, on cock-fighting. They allow betting on all kinds of pro events.

All we are asking, Mr. Chairman, is to finish the job we started in 1992, where 46 states were banned and now only one is left, to finish the job that the National Gambling Impact Study Commission asked us to do, and to protect our teenagers and protect college, high school, and amateur sports.

I would conclude, Mr. Chairman, on two notes. One is a quote from the president of the University of Notre Dame, Father Monk Malloy, who when asked about what kind of priority this is for him, he said the following, and I quote "the president of Notre Dame: "nothing scares me more than the potential harm unfettered gambling creates. Scandals erode confidence that what is taking place is a real event. If people begin to believe college athletics are scripted, then why should anybody come to the games, and how is

that in any way consistent with what we stand for as an academic institution”.

Now, I am a big sports fan, as you are, Mr. Chairman, and in Indiana, when the tiny, tiny school, Milan High School in 1954 defeated South Bend Central, and is the whole genesis of the movie Hoosiers, that is the beauty of sport, the little guy taking on the big guy, kind of like you did, the little guy taking on the big guy.

[Laughter.]

The Russians thought they had us in 1980, and in hockey we came back and we beat them, the hockey shots heard around the world, and Kerri Strug, who hit that celebrated vault, won our Olympic gold medal for the women’s team. Nobody predicted that, with a broken ankle. That is the beauty of what we are trying to do.

We are not trying to eliminate sports betting. We are not trying to eliminate all gambling. Protect as a value our teenagers, and the integrity, the magic, the purity of college athletics.

And finally, Mr. Chairman, we have heard a lot about what will this do between the competition, what will do between our emphasis that we want to put on going after maybe illegal sports betting? It is awfully difficult for us to work effectively to go after illegal gambling when the Government sanctions legal gambling.

So with that, thank you again for holding this hearing.

[The prepared statement of Mr. Roemer follows:]

PREPARED STATEMENT OF HON. TIM ROEMER, U.S. REPRESENTATIVE FROM INDIANA

Thank you very much, Mr. Chairman and members of the Committee. I appreciate the opportunity to testify today in support of legislation which Senators Sam Brownback and Pat Leahy, and Rep. Lindsey Graham and I have introduced, to prohibit legal gambling on high school, collegiate and Olympic sporting events.

In my home state of Indiana, we take our high school and college sports very seriously. You can’t get a ticket to a high school basketball game in my district on a Friday night, or to a Notre Dame football game on a Saturday afternoon. They are sold out for months and even years in advance.

Why is that? What’s the magic of high school and collegiate sports that attracts so many student-athletes to compete, and draws so many fans to watch?

To me, it’s the purity and uncertainty of amateur sports. In an era of movies and computer games, where the outcomes are scripted in advance, you just don’t know what’s going to happen when a 17-year old boy or girl steps to the line to attempt a game-winning foul shot or to kick a field goal. Your home team may win, they may lose, but at least you know the players tried their best in the pure spirit of competition.

Today, that purity is being threatened by the growing influence of gambling. Not by small-time office betting pools or parking lot wagers, but by high-stakes, legal, government-sanctioned gambling: some \$1 billion worth last year alone on college sports.

As long as that kind of big money is out there, and sports betting is both legal and indeed encouraged by the government, the temptation to shave points or throw a game will always be there. We will no longer know if a player misses a layup, or drops a pass deliberately, or if he just plain misses. And once we lose that certainty, we will no longer know if amateur sports are still an act of competition, or just another act that has been scripted not in Hollywood, but in the back rooms of the legal betting parlors.

We are not proposing to ban gambling or even to ban all sports betting. If this bill passes, there will still be plenty of venues available for people to gamble, including the entire range of professional sports. We are simply trying to put the segment of amateur athletics that is played predominantly by teenagers off-limits when it comes to government-sanctioned gambling.

This is the responsible thing to do. It will help protect the integrity of amateur sports from the growing and increasingly negative influence of sports betting. Just



as importantly, it will send a strong signal to the American public that we will not tolerate betting on teenagers.

I understand that illegal sports betting is a serious concern, and I agree that we need to do more to address this problem. But the fact remains that gambling on student-athletes, whether legal or illegal, threatens the integrity of college sports. You can't wage an effective campaign against illegal sports betting, or even expect people to take this problem seriously, as long as the government continues to sanction legal sports betting.

When you talk to the people who are most affected by sports betting, you find that coaches, student-athletes and university presidents all support a ban on legal sports betting. They know firsthand how pervasive the sports betting problem has become, and the threat it poses to the integrity of their athletic programs and the student-athletes who participate in them.

That's why our bill is the number one priority of the National Collegiate Athletic Association and the nearly 1,000 colleges and universities it represents. It is supported by our nation's most respected college football and basketball coaches, 65 of whom recently signed a letter to Congress urging passage of our bill.

It is supported by the Division I, II and III student athlete advisory councils, which represent most of our nation's college athletes, and by 33 other major organizations representing coaches, athletes, athletic administrators, teachers, and presidents at the university, college, junior college and high school levels.

Moreover, the National Gambling Impact Study Commission spent two years studying the effects of legalized gambling, and recommended that "the betting on collegiate and amateur athletic events that is currently legal be banned altogether." Our bill is in response to the Commission's recommendations.

As Fr. Edward Malloy, President of the University of Notre Dame, recently observed: "Nothing scares me more than the potential harm unfettered gambling creates. Scandals erode confidence that what's taking place is a 'real' event. If people begin to believe college athletics are scripted, then why should anybody come to the games? And how is that in any way consistent with what we stand for as an academic institution?"

Congress took the first step in 1992 by voting to prohibit legal sports betting in 46 states. It's time now to finish the job. Let's end legal sports betting and put the emphasis back where it belongs: on athletes playing their best, not placing their bets. On beating the competition, not beating the spread.

Think back for a moment on some of the greatest moments in our nation's sporting history: tiny Milan High's remarkable triumph in the Indiana state basketball championship, the U.S. men's hockey team's improbable victory over the Russians, Kerri Strug's courageous vault to win the Olympic gold medal. These events captivated our imagination because they were real and unexpected.

If we allow amateur sports to become scripted, that magic will be gone. Let's pass this legislation and keep high school and collegiate sports as an institution, which all Americans—coaches, players and fans alike—can value and trust. Thank you.

Senator MCCAIN. Thank you, Congressman Roemer. Thank you for your kind remarks. Thank you for being here. I would point out it has been since 1963, when Roger Staubach was at the Naval Academy, which was the last time Navy beat Notre Dame, so not all is well in the world.

[Laughter.]

Mr. ROEMER. I hate to disagree with you, but I hope that string continues.

Senator MCCAIN. Thank you very much.

I appreciate the patience of our panel members, President Charles Wethington, president, University of Kentucky, Mr. Jim Calhoun, the head men's basketball coach at the University of Connecticut, Dr. Tim Kelly, executive director, National Gambling Impact Study Commission, and Mr. Frank Fahrenkopf, who is president and CEO of the American Gaming Association.

As you take your places, I would like to quote from an article that was in *Sports Illustrated* but also carried in this NCAA fact book. Steven Hedake Smith sunk himself more than \$10,000 in debt to a student bookie. To wash the debt, Smith agreed to shave

points off games. Smith then enlisted the help of a team-mate to shave points off three more games when more than \$1 million in bets was placed on the games in Las Vegas.

Before he was sentenced, Smith told *Sports Illustrated*, having been there, "I can tell you how easily players can be drawn into fixing games. Poor, naive teenagers plus rich, greedy gamblers equal disaster."

President Wethington, I thank you and the rest of the panel for your patience. We thank you for being here on this very important issue. Please proceed.

**STATEMENT OF DR. CHARLES T. WETHINGTON, JR.,  
PRESIDENT, UNIVERSITY OF KENTUCKY, LEXINGTON, KY**

Dr. WETHINGTON. Senator McCain, thank you very much, and thank you for inviting me to testify today on a matter of concern to the NCAA and to the larger higher education community, and that is gambling on college sports, and I would ask my written statement in its entirety be included as a part of the hearing record.

Senator MCCAIN. Without objection.

Dr. WETHINGTON. The excitement of college sports does not get any better, as you have heard this morning, than during the road to the Final Four and Mr. Chairman, I know that your institution, like the University of Kentucky, we get excited when our teams win and we get disappointed when our teams do not advance, and so we are both in the same boat this year, I believe. Our emotions are all tied up in the hopes and dreams of these young players and the pride and respect we feel for our institutions. We do not need anything more to enjoy these games.

Gambling on the outcome of these games is not only unnecessary, it sells short the talent and hard work that the student athletes bring to the games, and has the potential to jeopardize the integrity of this American tradition. In my 10 years as president, I have yet to hear genuine fans of intercollegiate athletics suggest that they support collegiate contests because they can bet on the outcome of the games.

Gambling on college student athletes and the games they play, whether done legally in the sports books of Nevada or illegally in any other state, or on the Internet, is a problem for colleges and universities. Gambling on high school, college, and Olympic sporting events we believe should be prohibited in all states, and greater effort should be taken to enforce existing laws that ban gambling on the athletic success of our young people.

The Amateur Sports Integrity Protection Act will, we think, eliminate the use of Nevada sports books in college point-shaving scandals, eliminate the legitimacy of publishing point spreads for college sports, and advertising for college sports tout services. We sensitize young people in the public to the illegal nature of gambling on college sports and inevitably reduce the numbers of people who are introduced to sports gambling.

When it comes to college sports gambling, whether a wager is placed on the Internet, with a neighborhood bookie, or in the most highly regulated casino in the world, the result is the same. That

remains the potential for the integrity of the contest to be jeopardized.

Opponents of this legislation say that the problem is not with legal sports gambling, but with illegal sports gambling. We say there is a problem with both. For 4 years, the NCAA has been battling to reduce illegal gambling on college sports. NCAA staff worked with the FBI, local college law enforcement and campus officials to address the illegal side of the business, but it is hard when gambling on college sports is legal in one place and not legal in another. It puts us at a real disadvantage fighting illegal sports gambling, when legal sports gambling is so glamorized. This not only sends a mixed message to the other 49 states, it gives gambling on college sports a celebrity status.

We must tackle this problem on multiple fronts. We cannot stand by while this inappropriate activity threatens the integrity of college games, places college student athletes in a vulnerable position, destroys lives, and impacts campuses.

The Nevada gambling industry says they have helped us identify gambling irregularities that have resulted in prosecutions. They are right. They helped us convict the Arizona state basketball players who agreed to shave points. But they did not detect the Northwestern game-fixing scheme, which also utilized the legal Nevada sports books, and more important, we do not believe they have ever helped us prevent a scandal. This action has taken place after the fact.

At a press conference in January to introduce Senator Brownback's legislation, and Senator Brownback referred to this earlier, the young man who master-minded the Northwestern gambling scandal told the press, "without the option of betting money in Nevada the scheme would not have occurred". He cited two reasons. "My local bookie could not have covered a \$20,000 bet on a game that was fixed, and conscience would not let me cheat someone I know".

Opponents of the pending legislation will also criticize the NCAA for not doing enough. Our number one priority will always be the support of colleges and universities in providing participation opportunities for the 335,000 student athletes who play intercollegiate athletics. We also provide 81 championships in 22 sports that gave more than 40,000 student athletes last year the opportunity to say they were the best of the best. The bulk of NCAA resources go, and will continue to go, toward these two goals.

The two most important tools we have in fighting sports wagering are campus education and cooperation with law enforcement. We have made significant progress in both of these areas in the last 4 years. We have conducted countless seminars around the country, including presentations by the FBI. We have produced PSA's, posters and brochures annually, made awareness presentations to coaches, student athletes, and officials at our highest profile championships.

We have participated in hundreds of newspaper, television, and radio interviews to raise awareness. We have passed association-wide bylaws, put real teeth in our antisports gambling campaign, and most importantly, engaged our 1,074 member colleges and uni-

versities in conducting local efforts to raise campus and community awareness to the dangers of betting on college sports.

This is tough trenchwork, and the job is made tougher by the existence of a perfectly legal, deceptively glamorous open sports book on intercollegiate athletics in Nevada. The elimination of legalized college betting in Nevada will make the task of waging war on illegal sports gambling an infinitely fair fight.

We have established policies to prohibit all sports gambling by campus athletics personnel, student athletes, and NCAA employees. We conduct background checks on gaming officials. We sponsor educational programs for student athletes. We work with campus administrators to conduct sports wagering workshops. We broadcast antisports gambling public service announcements during our championships.

We have published a guide for students on the possible negative effects of sports gambling and principles of good financial management, and we are currently working with the higher end community to develop research on college sports gambling. Since being enacted in 1992, the Professional and Amateur Sports Protection Act has been successful in holding the growth of state-sponsored amateur sports gambling, but the beachhead of legalized amateur sports wagering continues to hold in Nevada casinos blunts efforts of the NCAA and higher education to combat college sports gambling.

The insidious effects of legalized wagering on college sports has been recognized by Nevada, as evidenced by the state's own laws that prohibit betting on any Nevada team. The effects go far beyond the Nevada state's line. Other states' colleges and universities should be given the same protection, and you have heard that referred to on more than one occasion this morning.

Even though sports gambling is illegal in nearly every state, point spreads on college games are published in newspapers across the country, bookies are common fixtures on college campuses, and new technologies allow bets on college games to be placed over the Internet. The dollars involved are big, and they are escalating every year. By clearly making gambling on college sports illegal everywhere all the time, we will strike a significant blow against an activity that threatens the integrity of college sport.

This Nation's college and university system is one of our greatest assets. We offer the world a model for post secondary education. Betting on the outcome of college sporting events tarnishes the integrity of sport and diminishes the esteem in which we and the rest of the world hold U.S. colleges and universities. For these reasons, the NCAA and its member institutions respectfully seeks your help in eliminating from the Professional and Amateur Sports Protection Act the exemption that allows the Nevada casino industry to operate collegiate sports betting schemes and thereby to jeopardize the integrity of sport in America.

While we recognize that a ban on collegiate sports gambling will not eliminate all gambling on college sports, it is a significant start. Coupled with passage of legislation to ban betting over the Internet, and more vigorous enforcement of existing state and federal laws, we have a shot at curbing this detrimental activity. If we

miss this legislative opportunity, the job of fighting illegal sports wagering elsewhere will be infinitely more difficult.

NCAA and the colleges and universities that support this legislation, along with the leaders of the high school community, higher education and the U.S. Olympic Committee, have no monetary interest in the outcome of this legislation. Our goal is to protect student athletes and remove the unseemly influences of sports gambling on our amateur athletes and the games they play. We look forward to working with you to close the gap that has not only allowed legal betting on college sports to continue, but also fuels illegal betting on college games.

Now, if you would, gentlemen, please turn your attention to the television monitors to see the gambling PSA the NCAA is running during the Final Four championship games on CBS and ESPN, if I might do so, Mr. Chairman.

[The prepared statement of Dr. Wethington follows:]

PREPARED STATEMENT OF DR. CHARLES T. WETHINGTON, JR., PRESIDENT,  
UNIVERSITY OF KENTUCKY, LEXINGTON, KY

Chairman McCain, Senators Hollings, Brownback and other distinguished members of the Committee, thank you for inviting me to testify before you today on a matter of concern to the NCAA and the larger higher education community—gambling on college sports.

The last two weekends have provided a wonderful opportunity for sports fans to watch college basketball at its finest. The excitement of college sports doesn't get any better than during the road to the Final Four. Mr. Chairman and Senator Brownback, I am sure you felt the same exhilaration I did when your home team played and won earlier in the tournament; I am also confident that you shared the same feeling of disappointment when your team played and lost two days later. Our emotions are all tied up in the hopes and dreams of these young players and the pride and respect we feel for our institutions. We don't need anything more to enjoy these games—gambling on the outcome of these games is not only unnecessary, it sells short the talent and hard work that the student-athletes bring to the games and has the potential to jeopardize the integrity of this American tradition. In my 10 years as president, I have yet to hear genuine fans of intercollegiate athletics suggest that they support collegiate contests because they can bet on the outcome of the games.

Gambling on college student-athletes and the games they play, whether done legally in the sports books of Nevada or illegally in any other state, or on the Internet is a problem. Gambling on high school, college and Olympic sporting events should be prohibited in all states and greater efforts should be taken to enforce existing laws that ban gambling on the athletics success of our young people. On behalf of NCAA colleges and universities, athletics conferences and affiliated athletics organizations, I ask for the Committee's help in achieving these priorities.

*Background—Congress Enacts Law to Prohibit Gambling on Amateur and Professional Sports*

In 1992, the Professional and Amateur Sports Protection Act (PASPA) was signed into law by President Bush to prohibit gambling on most sporting events. PASPA exempted four states that already conducted, or had enacted legislation that permitted them to conduct, sports gambling within their jurisdiction. Nevada was the only state at the time and, continues to be the only state, where legal gambling on college and Olympic sporting events is conducted. Our collective instincts were right in 1992 and we should have completed the job then. We should have made sports wagering illegal in all 50 states. Now, eight years later, there has been a blurring of the line between legal and illegal sports gambling in this country. Sports gambling has become such a part of the glamour of Las Vegas that it is fairly safe to conclude that many do not know that gambling on college sports is an illegal activity in virtually every state in the U.S.

*National Gambling Impact Study Commission—Recommends Exemption be Eliminated*

In June 1999, the National Gambling Impact Study Commission, comprised of bipartisan members appointed by the President and the leadership of the U.S. House of Representatives and U.S. Senate, issued their recommendations to Congress. Among the recommendations put forward by the Commission was that “betting on collegiate and amateur athletic events that is currently legal be banned altogether.” In making this recommendation the Commission stated,

“Sports wagering threatens the integrity of sports, it puts student athletes in a vulnerable position, it can devastate individuals and careers.”

We agree with the Gambling Impact Study Commission that legal gambling on college sports fuels the larger illegal sports gambling industry and should be discontinued.

*Pending Legislation Closes a Loophole in 1992 PASPA Law—Helps Protect the Integrity of College Sporting Events*

S. 2021 the pending legislation will remove any ambiguity associated with betting on college sports by making it clearly illegal to gamble on college games in every state. This will help curb the destructive and unseemly practice of gambling on the athletics success of our nation’s young student-athletes. Nearly a billion dollars was bet legally in Nevada on college games last year. Although rare, the NCAA has experienced several high profile gambling related incidents involving student-athletes in the last decade. The most significant of these scandals involved money wagered legally in Nevada casinos. As the amount of money legally wagered on college sports escalates, the pressures on student-athletes to provide inside information on the team for gambling purposes or to “shave” points and fix games is bound to increase as well. The pending legislation will close the loophole of the 1992 legislation, aid in preserving the integrity of college sporting events, and assist in protecting student-athletes from pressures to influence the outcome of a game or contest.

While it is true that Nevada casinos have been helpful in monitoring unusual shifts in wagering on college games, this hardly ensures protection from point shaving scandals. In fact, recent point shaving scandals have utilized Nevada sports books without being detected; the Northwestern University case is a prime example. A blanket prohibition on collegiate sports betting will reduce significantly the outlets available for placing wagers and, in doing so, will undoubtedly have an impact on the number of individuals gambling on the games. The fact is, even when the Nevada casinos helped identify the point shaving activity, it was after the fact. We are fearful that the scandals identified by the Nevada sports books are only representative of a larger problem of legal wagers on “fixed” games that largely goes undetected. We are not aware of the Nevada sports books ever having prevented a college gambling scandal from occurring.

*Publication of Point Spreads in Most Newspapers Contributes to Illegal Sports Wagering*

According to the National Gambling Impact Study Commission report:

“One reason Americans may not be aware of the illegality of sports wagering is that the Las Vegas ‘line,’ or point spread, is published in most of the 48 states where sports wagering is illegal.”

The pending legislation will eliminate any justification for the publishing of point spreads (betting odds) on college games in our nation’s newspapers. In addition, a ban on all collegiate sports gambling may help curtail the widespread advertising of sports handicappers’ services (associated with college football and basketball) in newspapers, magazines and on television. Point spreads contribute to the popularity of sports wagering. In short, a uniform prohibition will re-sensitize the public to the corrupting nature of this activity and encourage newspapers to follow the lead of the *Washington Post*, which voluntarily refuses to publish the betting line on college games. Furthermore, the gambling industry points to Internet gambling as the future source of point spreads. Congress’ passage of the Internet Gambling Prohibition Act would have a significant impact on U.S. access to online sports gambling sites.

*Nevada Prohibits Betting on Any of Nevada’s Own Teams to Protect the Integrity of those Events*

Nevada is currently the only state where collegiate sports gambling occurs. Proponents of Nevada sports books argue that regulated sports books pose little threat to the integrity of sports contests and that illegal sports gambling is the culprit. However, Nevada gaming regulations clearly recognize the potential danger that

legal sports gambling presents. The regulations not only prohibit Nevada sports books from accepting bets on college athletics events that occur in the state, but they also prohibit gambling on any games of Nevada institutions played outside the state's borders. Inexplicably, this protection does not extend to any of the institutions located in the other 49 states. On February 11, the NCAA wrote to Steve DuCharme, Chairman of the Nevada Gaming Control Board. The letter specifically asked the Nevada Gaming Control Board to grant a request by a NCAA member college or university to have the institution's name removed from the betting boards at the Nevada sports books in much the same way the Nevada institutions were removed. In a March 20 response, the NCAA request was not granted. DuCharme merely said other institutions are afforded the same protections as Nevada's institutions because their home states don't allow betting on their own home teams. However, the letter failed to point out that other states, unlike Nevada, don't allow betting on any other states' teams either. With the ease of travel, the proximity of bettors to teams doesn't stop at a state line. For example, nothing prohibits someone from placing a \$9,500 bet on a college game outside Nevada and then attempting to pressure a student-athlete to influence the outcome of the contest. The same protections afforded Nevada teams should be provided to the teams of all states.

*Legal College Sports Gambling Operations Provide Avenue for Illegal Sports Gambling Money Laundering*

The legally and illegally wagered dollars on college sporting events are thought to be in the billions but no accurate data on the exact amount of illegal gaming on college sports is available. Complicating the matter is the money laundering of illegal sports book dollars through legitimate sports books. Steve DuCharme, Chairman of the Nevada Gaming Control Board, is quoted in a February 1999, Sports Business Journal article as saying:

"We've taken steps to crack down on the amount of illegal money being laundered through legitimate sports books. We really have no way of knowing [how much is laundered through the legal sports books]. Based on transcriptions of wiretaps, it is millions of dollars."

These are federal law enforcement issues, meriting a federal solution.

*Discontinuation of College Sports Gambling Would Not Result in a Serious Threat to the Nevada Economy*

Fears that this legislation will be a "serious threat" to the Nevada economy are not supported by the facts. In 1999, approximately \$2.3 billion dollars was wagered in Nevada sports books. Casinos retained \$99 million, a little more than 3.5 percent of the total amount wagered on sports. According to Steve DuCharme, chairman of the Nevada State Gaming Control Board, the amount kept by casinos on sports gambling is "very small" compared to other casino games. Furthermore, the amount wagered on college sports is only a little more than a third of the total. In an industry driven by billions of dollars, (1999 total casino revenues were \$10.1 billion) the elimination of collegiate sports gambling will have little impact on state revenues or on the casinos' bottom line. The amount bet on college sports is only  $\frac{3}{10}$  of one percent of overall casino revenues. In the midst of record growth in the Nevada casino industry, the proposed legislation will have virtually no impact on jobs.

The existence of legal sports gambling in Nevada is actually limiting the growth of the Nevada economy in some areas. Most amateur and professional sports leagues have policies against franchise location and events staged in Nevada because of the presence of sports gambling.

*College Sports Gambling Serves as a Gateway for Youth to Addictive Gambling Behavior—Youth Gambling Problem is a Concern*

We are concerned that legal collegiate sports gambling fuels a much larger illegal collegiate sports gambling trade—impacting America's youth at an alarming rate. Sports gambling is a serious problem among teenagers under the age of 18. A recent Gallup Poll reports that teenagers say they start betting on college sports at age 10 and bet on college sports at twice the rate of adults. Called "the addiction of the 90's" by the American Academy of Pediatrics—their research indicates that there are over one million U.S. teens that are addicted to gambling. A recent Harvard School of Medicine report estimates that 6 percent of teenagers under 18 have serious gambling problems. In a June of 1999 Gallup Poll, 18 percent of teenage respondents said they had bet on college sports, contrasted with 9 percent of adults who wagered on college games. The National Gambling Impact Study Commission report calls sports wagering "a gateway behavior for adolescent gamblers." Prohibiting college sports gambling everywhere in the U.S. would send a clear signal that the activity is illegal. In addition, a federal prohibition would put an end to the

mixed message to our young people, limit exposure and reduce the numbers of people who are introduced to sports gambling.

*NCAA takes Concrete Steps to Address College Sports Gambling—Adopts Non-sense Policies and Education Outreach Programs*

The NCAA has not been sitting on the sidelines in confronting the sports gambling issue and has taken significant steps to address the very real problems associated with betting on college sports. The NCAA has established policies that prohibit all sports gambling by campus athletics personnel, student-athletes and NCAA employees. Student-athletes are not eligible to compete if they knowingly provide information to individuals involved in organized gambling activities concerning intercollegiate athletics competition; solicit a bet on any intercollegiate team; accept a bet on any intercollegiate team; accept a bet on any team representing the institution or participate in any gambling activity that involves intercollegiate athletics through a bookmaker, parlay card or any other method employed by organized gambling. Similar expectations apply to coaches, athletic directors, and NCAA staff. Recently, the NCAA instituted background checks on men's and women's basketball game officials. This was done to insure that the game officials have not been involved in sports wagering issues. In addition, the NCAA sponsors: educational programs; works with campus administrators to conduct sports wagering workshops; broadcasts anti-sports-gambling public service announcements during our championship games aired by CBS and ESPN; has entered a partnership with the National Endowment for Financial Education, to produce a booklet entitled, "Don't Bet On It," to educate students about the dangers of sports gambling and to acquaint them with good financial management strategies and is working to develop research in the area of youth gambling and campus gambling.

*The NCAA and its Membership Are Committed To Improving Student-Athlete Experience*

Opponents of the pending legislation to prohibit gambling on college sports in all states criticize the NCAA for reaping profits from college sports while not investing more in gambling prevention programs. As mentioned above, the NCAA does support a number of programs that address the sports gambling issue. In addition, a portion of the NCAA's revenues fund programs such as the student-athlete assistance fund, graduate assistance fellowships, life skills education, clinics for disadvantaged youth and many other programs designed to support and enrich the college experience for student-athletes. The NCAA's 81 championship events for men and women at the Divisions I, II and III level are funded through the television rights revenues. However, the vast majority of NCAA revenues are returned to NCAA Divisions I, II and III member colleges and universities to help support their athletics programs. It costs \$3.4 billion every year for our member schools to provide the more than 335,000 student-athletes with opportunities to play college sports. Even with the money generated by television and marketing rights fees, there still isn't enough money to pay the bill out of more than 970 programs, the number of athletics programs not being subsidized is smaller than 70. That said, the NCAA and its member schools continue to examine ways to provide student-athletes with more support and enrichment opportunities, including gambling related education, research and outreach activities.

*States' Rights Concerns*

Sports gambling already is a recognized federal issue with federal jurisdiction. In 1992, President Bush signed the Professional and Amateur Sports Protection Act (PASPA) (28 USC Section 3701 et seq.). PASPA prohibits the expansion of state-sanctioned, authorized or licensed gambling on amateur sports. In addition, because college sports gambling clearly has a substantial effect on interstate commerce, Congress has the authority to legislate in this area. Unfortunately, the 1992 PASPA legislation "grandfathered" (i.e., exempted) several states (Nevada, Oregon, Montana and Delaware) that already conducted, or were contemplating, some form of amateur sports gambling within their respective jurisdictions. While PASPA created a federal law prohibiting states from sponsoring, operating, licensing, advertising or promoting college sports gambling activities, the "grandfathered" states were allowed to continue to permit such gambling within their borders. The proposed federal legislation would eliminate the exemption for the above states as it relates to high school, collegiate and Olympic sports gambling. Furthermore, the position held by the gambling industry that one can bet on games of other states but protects their own state tramples on the rights of other states.



*Conclusion*

Since being enacted in 1992, the Professional and Amateur Sports Protection Act has been successful in halting the growth of state-sponsored amateur sports gambling. But the beachhead that legalized amateur sports wagering continues to hold in Nevada casinos blunts efforts of the NCAA and higher education to combat college sports gambling. The insidious effect of legalized wagering on college sports has crept far beyond the Nevada state line. Even though sports gambling is illegal in nearly every state, point spreads on college games are published in newspapers across the country, bookies are common fixtures on college campuses and new technologies allow bets on college games to be placed over the Internet or in a casino in innovative ways. The dollars involved are big and escalating every year. By clearly making gambling on college sports illegal everywhere and all the time, we will strike a significant blow against an activity that threatens the integrity of college sport.

This nation's college and university system is one of our greatest assets. We offer the world the model for postsecondary education. Betting on the outcome of college sporting events tarnishes the integrity of sport and diminishes the esteem in which we, and the rest of the world, hold U.S. colleges and universities. For these reasons, the NCAA respectfully seeks your help in eliminating from the Professional and Amateur Sports Protection Act the exemption that allows the Nevada casino industry to operate collegiate sports-betting schemes and thereby to jeopardize the integrity of sport in America. While we recognize that a ban on collegiate sports gambling will not eliminate all gambling on college sports, it is a significant start. If we miss this legislative opportunity, the job of fighting illegal sports wagering elsewhere will be infinitely more difficult. The NCAA, and the colleges and universities that support this legislation, along with the leaders of the high school community, higher education, and the U.S. Olympic Committee have no monetary interest in the outcome of this legislation. Our goal is to protect student-athletes and remove the unseemly influences of sports gambling on our amateur athletes and the games they play. We look forward to working with you to close the gap that has not only allowed legal betting on college sports to continue but also fuels illegal betting on college games.

[A television public service announcement was shown.]

Dr. WETHINGTON. Thank you, Mr. Chairman.

Senator MCCAIN. Thank you, Mr. President. Thank you for being here and thank you for your leadership on this issue.

Coach Calhoun, I know you would rather be somewhere else.

**STATEMENT OF JIM CALHOUN, HEAD MEN'S BASKETBALL  
COACH, UNIVERSITY OF CONNECTICUT, STORRS, CT**

Mr. CALHOUN. Mr. Chairman, I really am happy to be here, and there is only one other place I would rather be. I was looking for a good physical therapist about a week ago and could not find one, and could not cure the ills of an ankle injury, but I am happy to be here, and Mr. Chairman and members of the Committee—

Senator MCCAIN. We thank you, and we congratulate you on your many successes.

Mr. CALHOUN. Thank you very much. As a coach and educator for the past 32 years—and by the way, I see that Senator Kerry is not here. If there is any interpretation of the Bostonian accent, he will be able to help later on.

[Laughter.]

As a coach and educator for the past 32 years, as a head basketball coach at collegiate institutions for 28 of them, I have great concerns about gambling on college athletics. This is not a new problem. We have had these point-shaving scandals for the past 50 years.

At the University of Connecticut, legendary coach Hugh Greer, who was considered to be the coach at Connecticut for almost 30 years, died at age 54 after three of his players in the early sixties

were found to point-shave. One of those players was incredibly close to Hugh, and his wife claims to this day that the heart attack by which he died at age 53 was caused by his grief over his beloved players, and the integrity of the game that he loved, so this is not a new problem.

But as we reach the year 2000 and we were in the decade of the nineties, more gambling scandals have occurred than in the previous history of college athletics. The amount of money being bet is starting to become beyond belief. Social acceptance of gambling, and the fact that gambling has become an integral part of the university culture, makes it imperative that we extend the ban on betting on college games in all states.

This, I realize, will not stop gambling, illegal or otherwise, but I think it will greatly reduce the impact on our student athletes and certainly on our game. Our game must maintain its integrity. This is not a point-the-finger attitude. It is merely a starting point. There is something legal being done that, if stopped, will be a starting point for us to attack illegal activities.

To me personally, and I know to many other coaches, and I am speaking on behalf of them in many ways, the publishing of point spreads and the legalized gambling on college games in Nevada protects and legitimizes an illegal activity. Las Vegas is a great entertainment city. I enjoy it. I realize at this moment I probably will not be coaching the Rebels some day, but the threat of the scandal to our game and our kids must be reduced and hopefully stopped. I see this not as a panacea. I see it as a beginning. This is something we can control. The illegal activities is something we hopefully will control.

As a coach and mentor, and this is something I really want to address myself to since so many other issues have been raised today, and rightfully so, certainly, but as a coach and mentor to my players, I have great concerns for them, concerns that the university culture has built into its very fabric now that gambling is an every-day activity. It exists in dormitory life, it exists in fraternities every single day, and the fact that many of our student athletes, all of our student athletes live in this culture, our university culture, and they in fact become the focal point of this billions of dollars being wagered, is a very, very dangerous situation.

I am concerned that many of our kids come from modest economic backgrounds, and this even places greater pressure upon them to make a mistake in judgment which could ruin their lives and certainly put a mark on them, the university, and athletics in general. I am concerned that major college athletics is highly pressured enough without additional burdens of worrying about gambling activities. I see it from a personal nature our kids being attacked from all sides. As money increases, so does other types of activities.

I am greatly concerned that our kids are getting mixed signals when they get up in the morning and read in the newspaper what the, quote, betting line or spread is on a game they are going to participate in that night. What kind of signal are we telling our kid? We are telling them it is legitimate.

I just note, I was going to take a job one time at a place in Arizona a number of years ago—and I was not going to take the job.

I wanted to stay in New England, and I took over in Connecticut, but anyways, I always remember my sister saying to me, you're going to Arizona state and taking the job there, and I said, no, I am not, and she says, yes, you are. Don't lie to me. I said, what do you mean, lie to you, and she said, I read it in the newspaper. You're going to Arizona state. With that—

Senator MCCAIN. I'm sorry your sister was not correct.

[Laughter.]

Mr. CALHOUN. Thank you. With that, our kids believe if it is in the paper, it is true, and when it is seen every day and every morning that Connecticut, although heavily favored last night, only won by 7 points, there is a message going there. It is a message that scares me.

And last concern, these are 18 to 20-year-old kids—and trust me, I coach them, and they are kids. That I can guarantee you, and they make the same judgments. Many times I tell people, when they ask me to describe my job and I say simply, if you can imagine yourself with your teenage children, and have kids run up and down the court with shorts on, with your paycheck in their mouth, what a comforting feeling that must be.

They are kids, and that is what they are, and yet they are in college, as many of us were, struggling to find their own self-identity, and should not be the focal point of billions of dollars of wagering. This is too much to ask of them. It is too much to ask of any athlete.

At U Conn we still have, and will still have informational seminars. We will bring the FBI in every year. We will bring Bill Saum and the NCAA in. We do institutional daily reminders. But if we can show the wisdom of the state of Nevada by banning betting on our institutions, our collegiate institutions, with the passage of this bill, I believe it will greatly reduce the risk from gambling that we now face. It will not eliminate, but it will be a great starting point.

And just on a personal note, I find the acceptance of gambling by people in general is phenomenal. No one ever has a problem saying to me, coach, you did not cover. They may say any other thing, but there is such a great acceptance, and I think a great deal of that has to do with the fact that there is legalized gambling on college athletics, and there is a point spread published every single day. It is a great danger to our sport.

It is something that scares me every single day, and I know it scares every other single coach who coaches kids, and when you think it is coaching kids, much as many of us, all of us here were at one point in time, it is an issue we must come to wrestle with.

I want to thank you very much for having me here today, and hopefully I gave you at least an insight as to how I feel about our university kids. Thank you very much.

Senator MCCAIN. Thank you very much, coach. I think it is important to point out for the record a letter that was sent to Senator Brownback that an overwhelming majority of your colleagues in the coaching profession also support the very articulate statement that you just made concerning the importance of this issue. I think Americans look to you and to them, and to people like Dean Smith and others, for guidance on this issue, and I am very grateful that you would be involved, and I know that coaches understandably

are not generally involved in issues of legislation. I am very pleased that you would step forward, you and your colleagues in your profession, and speak out so strongly on this very important issue, and I thank you for taking the time to be here.

Mr. CALHOUN. Thank you, Mr. Chairman.

Senator BROWNBACK. Mr. Chairman, can we have that letter put into the record at this point, and one from Dean Smith that was on the same point? He has been very concerned about this for a long period of time.

Senator MCCAIN. Without objection.\*

[The prepared statement of Mr. Calhoun follows:]

PREPARED STATEMENT OF JIM CALHOUN, HEAD MEN'S BASKETBALL COACH,  
UNIVERSITY OF CONNECTICUT, STORRS, CT

Mr. Chairman, I really am happy to be here, and there is only one other place I would rather be. I was looking for a good physical therapist about a week ago and could not find one, and could not cure the ills of an ankle injury, but I am happy to be here, and Mr. Chairman and members of the Committee, thank you very much. As a coach and educator for the past 32 years—and by the way, I see that Senator Kerry is not here. If there is any interpretation of the Bostonian accent, he will be able to help later on.

As a coach and educator for the past 32 years, as a head basketball coach at collegiate institutions for 28 of them, I have great concerns about gambling on college athletics. This is not a new problem. We have had these point-shaving scandals for the past 50 years.

At the University of Connecticut, legendary coach Hugh Greer, who was considered to be the coach at Connecticut for almost 30 years, died at age 54 after three of his players in the early sixties were found to point-shave. One of those players was incredibly close to Hugh, and his wife claims to this day that the heart attack by which he died at age 53 was caused by his grief over his beloved players, and the integrity of the game that he loved, so this is not a new problem.

But as we reach the year 2000 and we were in the decade of the nineties, more gambling scandals have occurred than in the previous history of college athletics. The amount of money being bet is starting to become beyond belief. Social acceptance of gambling, and the fact that gambling has become an integral part of the university culture, makes it imperative that we extend the ban on betting on college games in all states.

This, I realize, will not stop gambling, illegal or otherwise, but I think it will greatly reduce the impact on our student athletes and certainly on our game. Our game must maintain its integrity. This is not a point-the-finger attitude. It is merely a starting point. There is something legal being done that, if stopped, will be a starting point for us to attack illegal activities.

To me personally, and I know to many other coaches, and I am speaking on behalf of them in many ways, the publishing of point spreads and the legalized gambling on college games in Nevada protects and legitimizes an illegal activity. Las Vegas is a great entertainment city. I enjoy it. I realize at this moment I probably will not be coaching the Revels some day, but the threat of the scandal to our game and our kids must be reduced and hopefully stopped. I see this not as a panacea. I see it as a beginning. This is something we can control. The illegal activities are something we hopefully will control.

As a coach and mentor, and this is something I really want to address myself to since so many other issues have been raised today, and rightfully so, certainly, but as a coach and mentor to my players, I have great concerns for them, concerns that the university culture has built into its very fabric now that gambling is an everyday activity. It exists in dormitory life, it exists in fraternities every single day, and the fact that many of our student athletes, all of our student athletes live in this culture, our university culture, and they in fact become the focal point of this billions of dollars being wagered, is a very, very dangerous situation.

I am concerned that many of our kids come from modest economic backgrounds, and this even places greater pressure upon them to make a mistake in judgment which could ruin their lives and certainly put a mark on them, the university, and athletics in general. I am concerned that major college athletics is highly pressured

\*The information was not available at the time the hearing went to press.

enough without additional burdens of worrying about gambling activities. I see it from a personal nature our kids being attacked from all sides. As money increases, so does other types of activities.

I am greatly concerned that our kids are getting mixed signals when they get up in the morning and read in the newspaper what the, quote, betting line or spread is on a game they are going to participate in that night. What kind of signal are we telling our kid? We are telling them it is legitimate.

I just note, I was going to take a job one time at a place in Arizona a number of years ago—and I was not going to take the job. I wanted to stay in New England, and I took over in Connecticut, but anyway, I always remember my sister saying to me, you're going to Arizona state and taking the job there, and I said, no, I am not, and she says, yes, you are. Don't lie to me. I said, what do you mean, lie to you, and she said, I read it in the newspaper. You're going to Arizona state. With that—our kids believe if it is in the paper, it is true, and when it is seen every day and every morning that Connecticut, although heavily favored last night, only won by 7 points, there is a message going there. It is a message that scares me.

And last concern, these are 18 to 20-year-old kids—and trust me, I coach them, and they are kids. That I can guarantee you, and they make the same judgments. Many times I tell people, when they ask me to describe my job and I say simply, if you can imagine yourself with your teenage children, and have kids run up and down the court with shorts on, with your paycheck in their mouth, what a comforting feeling that must be.

They are kids, and that is what they are, and yet they are in college, as many of us were, struggling to find their own self-identity, and should not be the focal point of billions of dollars of wagering. This is too much to ask of them. It is too much to ask of any athlete.

At U Conn we still have, and will still have, informational seminars. We will bring the FBI in every year. We will bring Bill Saum and the NCAA in. We do institutional daily reminders. But if we can show the wisdom of the State of Nevada by banning betting on our institutions, our collegiate institutions, with the passage of this bill, I believe it will greatly reduce the risk from gambling that we now face. It will not eliminate, but it will be a great starting point.

And just on a personal note, I find the acceptance of gambling by people in general is phenomenal. No one ever has a problem saying to me, coach, you did not cover. They may say any other thing, but there is such a great acceptance, and I think a great deal of that has to do with the fact that there is legalized gambling on college athletics, and there is a point spread published every single day. It is a great danger to our sport.

It is something that scares me every single day, and I know it scares every other single coach who coaches kids, and when you think it is coaching kids, much as many of us, all of us here were at one point in time, it is an issue we must come to wrestle with.

I want to thank you very much for having me here today, and hopefully I gave you at least an insight as to how I feel about our university kids. Thank you very much.

Senator McCAIN. Dr. Kelly.

**STATEMENT OF DR. TIM KELLY, EXECUTIVE DIRECTOR,  
NATIONAL GAMBLING IMPACT STUDY COMMISSION, ALEX-  
ANDRIA, VA**

Dr. KELLY. Thank you, Mr. Chairman. I am Tim Kelly, executive director of the National Gambling Impact Study Commission, and I do appreciate this opportunity to be here to give testimony on sports gambling and its effects.

Before I get started, I do also have copies of two letters which I believe the Committee has already received, one from the chair of the commission, Kay James, the other from two of the commissioners, Richard Leone and Leo McCarthy, all of them strongly in support of the legislation that you have put forward, and we ask that they be entered into the record.

Senator McCAIN. Without objection.

Dr. KELLY. I also have submitted an attachment to my remarks. Only 30 years ago gambling was illegal in most states and gen-

erally considered to be contrary to the American worth ethic. Serious gamblers had to travel to Nevada for casino play, and the states had not yet plunged into lottery mania. Today, however, there are over 800 casinos operating in 28 states. The lottery is played in 37 states plus the District of Columbia, and all but three states have legalized some form of gambling.

Gambling expansion has swept the Nation, and that is why our commission was called into being. With revenues jumping from about \$1 billion in 1970 to over \$50 billion today, the National Gambling Impact Study Commission was charged with conducting a comprehensive legal and factual study of the social and economic impacts of legalized gambling.

Last year, the commission completed its unanimously adopted final report, which can be found on the Web at [www.ngisc.gov](http://www.ngisc.gov). The report contains 77 far-reaching recommendations for state and federal legislators, and calls for a national moratorium on gambling expansion. The recommendation that addresses sports gambling reads as follows:

The commission recommends that betting on collegiate and amateur athletic events that is currently legal be banned altogether.

This recommendation is especially noteworthy in light of the fact that four of the nine commissioners represented or endorsed gambling industry interests. Let me review the facts that led to its adoption.

As you know, and as has been mentioned here, the Professional and Amateur Sports Protection Act of 1992 made it illegal for anyone to operate a gambling scheme based on competitive games in which amateur or professional athletes participated. It was intended to ensure the integrity of athletic events, as has been pointed out this morning.

Congress was concerned that gambling potentially threatens sports by providing tremendous incentive for point-shaving and game-fixing, and thus puts players at risk. As Senator Bradley stated at that time, interestingly, state-sanctioned sports betting conveys the message that sports are more about money than personal achievement and sportsmanship.

But the act did not apply, as we have heard, to states with pre-existing statutes providing for sports gambling, notably, Nevada. Consequently, Nevada runs 142 legal sports books that generate over \$2.3 billion in revenue, including over \$77 million from collegiate and amateur sports.

The commission heard testimony that sports gambling has devastated families and careers and most alarmingly that it is, indeed, rampant on college campuses, as has been stated. Cedric Dempsey, executive director of the NCAA, stated that every campus has student bookies, and we are also seeing an increase in the involvement of organized crime with its wagering. Gambling rings have been uncovered at Michigan State, University of Maine, Rhode Island, Bryant, Northwestern, and Boston College, among others. A University of Michigan survey found that 5 percent of male student athletes provided inside information for gambling purposes, bet on a game in which they participated, or accepted money for performing poorly in a game.

Although Nevada state-sanctioned sports betting is well-regulated, it likely contributes to collegiate sports gambling in two ways. First, it provides a ready resource for students, student athletes, and student bookies looking for betting information and/or an opportunity to place bets via the phone or the Internet. Second, it provides the Los Vegas line or point spread, which has been mentioned regularly this morning, which is published throughout the country. The line provides betting parameters and does tend to fuel illegal sports wagering.

According to a recent Harvard study, an estimated 15.4 million Americans suffer from problem or pathological gambling, often referred to as gambling addiction. Over half that number are adolescents, 7.9 million. Gambling addiction can be particularly devastating to the individual, his family, his employer, or his school. The National Academies of Science that we contracted with found that, and I quote, "pathological gamblers engage in destructive behaviors. They commit crimes, they run up large debts, they damage relationships with family and friends, and they kill themselves."

The commission found that students who gamble on sports can be at risk for gambling problems later in life. Sports wagering can indeed act as a gateway to other forms of gambling, as has been mentioned, and to gambling addiction. This is cause for alarm, especially since the same Harvard study that I just referenced found that, quote, "compared to adults, youth have had more exposure to gambling during an age when vulnerability is high and risk-taking behavior is a norm. Consequently, these young people have higher rates of disorder gambling than their more mature and less vulnerable counterparts."

The commission heard heartbreaking testimony from many pathological gamblers, including a young man named Scott from New York. Scott placed his first bet with a bookie his freshman year in college. He found himself in debt within weeks. Later, he stole \$600 from his first employer, a supermarket, to cover gambling debts. At age 24, Scott made the first of many trips to Atlantic City, sometimes gambling as many as 50 hours straight. His relationship with parents, friends, and even girlfriends crumbled as his gambling addiction grew, and his savings accounts dwindled to nothing. He ended up by embezzling \$96,000 from the stock brokerage where he was working, and then wrote \$100,000 in bad checks. Arrest, jail, and subsequent house arrest did not deter him. "I still went to Atlantic City with an ankle bracelet on," he said from an in-patient treatment center where he was being treated for gambling addiction. "Nothing mattered to me but gambling."

Scott and others like him would have been better off if he had not had to deal with sports gambling at age 18. The commission recognized that there is much that the NCAA and other youth school and college collegiate athletic organizations can do to help prevent such tragedies. This includes public service announcements during tournaments such as the clip we just saw, better enforcement of existing law on campus, and full NCAA clout brought to bear against universities that tolerate gambling violations.

But the problem also requires dealing with the loophole built into the sports protection act, which has been noted several times this morning. Unless amateur sports gambling is banned altogether,

there will always be the resource of 142 sports books in the Las Vegas line for those wanting to gamble on collegiate and amateur sports. Their misuse threatens the integrity of collegiate and amateur athletics, puts student athletes at risk, and makes it very easy for kids like Scott to start a lifetime of gambling addiction.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Kelly follows:]

PREPARED STATEMENT OF DR. TIM KELLY, EXECUTIVE DIRECTOR,  
NATIONAL GAMBLING IMPACT STUDY COMMISSION, ALEXANDRIA, VA

Good morning Mr. Chairman and Members of the Committee. I am Tim Kelly, Executive Director of the National Gambling Impact Study Commission. I appreciate this opportunity to give testimony on Sports Gambling and its effects.

Only thirty years ago, gambling was illegal in most states and was generally considered to be a vice contrary to the American work ethic. Serious gamblers had to travel to Nevada for casino play, and the states had not yet plunged into lottery mania. Today, however, there are over 800 casinos operating in 28 states, the lottery is played in 37 states plus the District of Columbia, and all but three states have legalized some form of gambling. Gambling expansion has swept the nation, with revenues jumping from about \$1 billion in 1980 to well over \$50 billion today.

The National Gambling Impact Study Commission was charged with conducting a comprehensive legal and factual study of the social and economic impacts of legalized gambling. Last year the Commission completed its unanimously-adopted final report, which can be found on the web at *www.ngisc.gov*. The report contains 77 far-reaching recommendations for state and federal legislators, and calls for a national moratorium on gambling expansion. The recommendation that addresses Sports Gambling reads as follows:

“The Commission recommends that betting on collegiate and amateur athletic events that is currently legal be banned altogether.”

This recommendation is especially noteworthy in light of the fact that four of the nine commissioners represented or endorsed gambling industry interests. Let me review the facts that led to its adoption.

#### **Sports Gambling Nevada**

As you know, the Professional and Amateur Sports Protection Act of 1992 made it illegal for anyone to operate a gambling scheme based on competitive games in which amateur or professional athletes participate. It was intended to ensure the integrity of athletic events. Congress was concerned that gambling potentially threatens sports by providing tremendous incentive for point shaving and game-fixing, and thus puts players at risk. As Senator Bradley stated at the time, “state-sanctioned sports betting conveys the message that sports are more about money than personal achievement and sportsmanship.” But the act did not apply to states with pre-existing statutes providing for sports gambling—notably Nevada. Consequently, Nevada runs 142 legal sports books that generate over \$2.3 billion in revenue, including over \$77 million from collegiate and amateur sports.

The Commission heard testimony that sports gambling has devastated families and careers and, most alarmingly, that it is rampant on college campuses. Cedric Dempsey, executive director of the NCAA, stated that “every campus has student bookies, (and) we are also seeing an increase in the involvement of organized crime on sports wagering.” Gambling rings have been uncovered at Michigan State, University of Maine, Rhode Island, Bryant, Northwestern, and Boston College, among others. A University of Michigan survey found that 5% of male student-athletes provided inside information for gambling purposes, bet on a game in which they participated, or accepted money for performing poorly in a game.

Although Nevada’s state-sanctioned sports betting is well regulated, it likely contributes to collegiate sports gambling in two ways. First, it provides a ready resource for students, student-athletes, and student bookies looking for betting information and/or an opportunity to place bets via phone or internet. Second, it provides the Las Vegas “line,” or point spread, which is published throughout the country. The line provides betting parameters and tends to fuel illegal sports wagering.

#### **Sports Gambling as a Gateway**

According to a recent Harvard study, an estimated 15.4 million Americans suffer from problem or pathological gambling, often referred to as gambling addiction.



Over half that number are adolescents. Gambling addiction can be particularly devastating to the individual, his family, and his employer or school. The National Academies of Science found that "pathological gamblers engage in destructive behaviors: they commit crimes, they run up large debts, they damage relationships with family and friends, and they kill themselves."

The Commission found that students who gamble on sports can be at risk for gambling problems later in life. Sports wagering can act as a gateway to other forms of gambling, and to gambling addiction. This is cause for alarm, especially since the same Harvard study found that "compared to adults, youth have had more exposure to gambling during an age when vulnerability is high and risk-taking behavior is a norm; consequently, these young people have higher rates of disordered gambling than their more mature and less vulnerable counterparts."

The Commission heard heart-breaking testimony from many pathological gamblers, including a young man named Scott, a New York native. Scott placed his first bet with a bookie his freshman year of college. He found himself in debt within weeks. Later, he stole \$600 from his first employer, a supermarket, to cover gambling debts. At age 24, Scott made his first of many trips to Atlantic city, sometimes gambling as many as 50 hours straight. His relationship with parents, friends, and even girlfriends crumbled as his gambling addiction grew, and his savings account dwindled to nothing. He embezzled \$96,000 from the stock brokerage where he worked, then wrote \$100,000 in bad checks. Arrest, jail, and subsequent house arrest did not deter him. "I still went to Atlantic City with ankle bracelet on," he said from the inpatient treatment center where he was being treated for his gambling addiction. "Nothing mattered to me but gambling."

#### **Conclusion: Ban Sports Gambling**

Scott and others like him would have been better off if he had not had to deal with sports gambling at age 18. The Commission recognized there is much that the NCAA and other youth, school, and collegiate athletic organizations can do to help prevent such tragedies. This includes public service announcements during tournaments, better enforcement of existing laws on campus, and full NCAA clout brought to bear against universities tolerating gambling violations. But the problem also requires dealing with the loophole built into the Sports Protection Act. Unless sports gambling is banned altogether, there will always be the resource of 142 sports books and the Las Vegas line for those wanting to gamble on collegiate and amateur sports. Their misuse threatens the integrity of collegiate and amateur athletics, puts student-athletes at risk, and makes it very easy for kids like Scott to begin a lifetime of gambling addiction.

Thank you, Mr. Chairman.

Attachment

#### GAMBLING BACKLASH: TIME FOR A MORATORIUM ON CASINO AND LOTTERY EXPANSION

Thirty years ago, gambling was illegal in most states and was generally considered to be a vice contrary to the American work ethic. Serious gamblers had to travel to Nevada for casino play; states had not yet plunged into lottery mania. Today, however, 29 casinos operate in Mississippi, 14 in New Jersey, and 429 in Nevada; another 260 casinos operate on Indian reservations; and nearly 100 riverboat casinos are chartered in six states.<sup>1</sup> All but three states have legalized some form of gambling. Pari-mutuel gambling, primarily horseracing, is legal in 42 states;<sup>2</sup> casinos are licensed in 28 states;<sup>3</sup> and the lottery is played in 37 states plus the District of Columbia.<sup>4</sup>

Far from discouraging citizens from risking their hard-earned money on gambling, states spend more than \$400 million annually promoting their lotteries with often misleading and deceptive advertising.<sup>5</sup> In fact, more dollars are spent encouraging citizens to gamble than are spent for any other single state message.

Gambling expansion has swept the nation, with 68 percent of the population reporting they have gambled in the past year. They lost an astonishing \$50 billion in 1998, and there is "no end in sight: every prediction that the gambling market was becoming saturated has proven to be premature."<sup>6</sup> This explosion of gambling

<sup>1</sup> Final Report, National Gambling Impact Study Commission, 1999, p. 2-6.

<sup>2</sup> Ibid., p. 2-11.

<sup>3</sup> Ibid., p. 2-6.

<sup>4</sup> Ibid., p. 2-1.

<sup>5</sup> Ibid., p. 3-15.

<sup>6</sup> Ibid., p. 1-1.

has produced enticing benefits for some. A new casino brings new jobs and can be very profitable, and most forms of gambling add significant revenue to the public treasury. The revenue can be used to meet community needs such as education or infrastructure development.

But the expansion of gambling carries a high cost. Today, an estimated 15.4 million Americans suffer from problem or pathological gambling, often referred to as gambling addiction.<sup>7</sup> Gambling addiction can be particularly devastating to the individual, his family, and his employer. The National Academies of Science found that “pathological gamblers engage in destructive behaviors: they commit crimes, they run up large debts, they damage relationships with family and friends, and they kill themselves.”<sup>8</sup>

Furthermore, the National Gambling Impact Study Commission found that state lotteries function as a regressive tax that preys on the poor. Those who can afford it least tend to play the most, while benefits go to those who are better off.<sup>9</sup> Gambling is capable of addicting and impoverishing those who play.

Perhaps most alarmingly, research shows that increasing numbers of children and adolescents are gambling; they are more likely than adults to become problem or pathological gamblers. For instance, a Louisiana survey of 12,000 adolescents found that 10 percent had bet on horseracing, 17 percent had gambled on slot machines, and 25 percent had played video poker.<sup>10</sup> The Gambling Commission found that adolescent gambling is “associated with alcohol and drug use, truancy, low grades, problematic gambling in parents, and illegal activities to finance gambling.”<sup>11</sup>

That gambling expansion has exposed children and adolescents to many forms of gambling is particularly disturbing in light of a recent Harvard study that found that “compared to adults, youth have had more exposure to gambling during an age when vulnerability is high and risk-taking behavior is a norm; consequently, these young people have higher rates of disordered gambling than their more mature and less vulnerable counterparts.”<sup>12</sup> The Gambling Commission learned that such vulnerability could lead to tragic outcomes; one 16-year-old boy attempted suicide after losing \$6,000 on lottery tickets.<sup>13</sup>

How did America become so addicted to gambling? Several factors are clear. First, the lottery states have given a powerfully motivating message to their citizens by declaring that gambling is not only acceptable, but actually the right thing to do because it increases state revenue for good causes. Second, the Indian Gaming Regulatory Act of 1988 opened the floodgate for Native American casinos, which are expanding more rapidly now than any other form of gambling. Third, legislators at the state and federal levels have acted without the benefit of objective information on the full costs and benefits of gambling operations, since nearly all of the previous impact studies have been sponsored by the gambling industry. The Gambling Commission report provides the most comprehensive and objective evaluation of gambling impacts to date. But more research is needed if policymakers are to understand fully the likely consequences before moving ahead with gambling expansion initiatives.

The Gambling Commission report, which was unanimously adopted, calls for a moratorium on gambling expansion.<sup>14</sup> This is especially noteworthy because four of the nine commissioners represented or endorsed gambling industry interests. The purpose of the moratorium: to allow policymakers to review what has already been approved and to demand better cost/benefit analyses before moving ahead with any new initiatives.

More than a moratorium, however, will be needed if America is going to manage gambling for the public good as opposed to the public treasury. The Gambling Commission report included 77 far-reaching recommendations, all of which are worthy of consideration. Eight policy recommendations, based upon but not identical to the Commission's recommendations, should constitute a priority for federal and state/tribal legislators. Legislative action based on these recommendations would jumpstart America's recovery from its addiction to gambling. Before discussing these recommendations in detail, however, a review of the seven major types of legalized gambling reveals the gravity of the current problem.

<sup>7</sup> *Ibid.*, p. 4–1.

<sup>8</sup> Pathological Gambling: A Critical Review, National Academy of Science/National Research Council, 1999, p. 3.

<sup>9</sup> Final Report, p. 7–10.

<sup>10</sup> *Ibid.*, p. 7–20.

<sup>11</sup> *Ibid.*, p. 7–23.

<sup>12</sup> Howard Shaffer, et al., “Estimating the Prevalence of Disordered Gambling Behavior in the United States and Canada: A Meta-Analysis,” 1997, p. 5.

<sup>13</sup> *Ibid.*, p. 7–25.

<sup>14</sup> *Ibid.*, p. 1–8.

### Legalized Gambling in America<sup>15</sup>

Seven major forms of gambling are legal in America today, each presenting a different array of costs and benefits, and each raising a unique set of issues that must be addressed by policymakers.

**Commercial Casinos.** Commercial casinos (land casinos not owned by Native Americans)—with their table games and slot machines—symbolize the gambling industry for most Americans. Until this decade, casinos were legal only in Nevada and Atlantic City, but during the past 10 years they have expanded into 28 states. In 1997, commercial casinos took in \$26.3 billion in revenue. Destination casinos (those with large hotels) provide an important source of jobs, tax revenue, and entertainment for their localities. Many customers enjoy the associated food, entertainment, and conference facilities.

At the same time, there are costs associated with commercial casinos. The 15.4 million pathological and problem gamblers account for a significant portion of gambling revenues. They often end up hurting not only themselves but also family, friends, and business partners. Direct costs from their bankruptcies, arrests, imprisonments, legal fees for divorce, and so on come to more than \$5 billion each year. Who should be responsible for these costs and liabilities?

A less visible but perhaps more insidious cost involves the political clout that commercial casino interests inevitably develop. Given the vast revenue generated by successful casinos, it becomes increasingly difficult for other voices to be heard in the political process. For instance, non-gambling retailers and restaurant owners may find that their customer base dwindles after the introduction of casinos and that local government turns a deaf ear to their complaints. In fact, once gambling enters a community, local government tends to become “a dependent partner in the business of gambling.”<sup>16</sup>

**Native American Casinos.** Large-scale Indian casino gambling began in the late 1980s. In 1988, Congress passed the Indian Gaming Regulatory Act (IGRA), which set the stage for a rapid expansion of Native American casinos—now numbering about 260. IGRA called for the states and tribes to enter into compacts allowing casinos on Indian reservations to offer whatever form of gambling is legal in the state. It also called for gambling revenue to be used to promote the economic development and welfare of the tribe. Thus, revenues are not subject to state or federal taxation, but are to be used as an economic engine to address tribal needs. In 1997, Indian casinos generated \$6.7 billion in revenue from gambling, much of which went to improve the health, education, and welfare of the casino tribes.

Problem and pathological gambling among tribal members and their customers is, of course, as much a concern here as it is for non-tribal casinos. Concerns also have been raised about the adequacy of Indian casino regulations and the distribution of funds among the tribes that own casinos versus the majority that do not. Furthermore, some states and tribes have not been able to agree on compacts that suit both sides. All of these issues need to be resolved, perhaps within the context of IGRA revisions and amendments.

**Riverboat Casinos.** Riverboat casinos are a new phenomenon, having begun in Iowa in 1991 as a means for tourism and economic development. Most of these casinos do not actually sail out on the rivers, but are simply built over water as part of zoning requirements. In 1997, riverboat casinos brought in \$6.1 billion in revenue from gambling.

Often built deliberately on the borders shared with other states, these casinos initially brought significant additional tax revenues from the citizens of neighboring states. Eventually, however, the adjoining states ended up building their own casinos to recapture the lost revenue. Once the saturation point has been reached by neighboring states, whether the economic benefits outweigh the social costs is not clear. However, for this reason Iowa recently legislated a five-year moratorium on casino expansion in order to better assess the full impacts of gambling.

**State Lotteries.** Colonial America used lotteries to help fund public works such as paving streets; since that time, there has been a cyclical aspect to their usage. In the 1870s, gambling scandals involving the bribery of state and federal officials led to lotteries being outlawed altogether, along with most forms of gambling. The current lottery revival began in 1964 with the New Hampshire lottery; today, 37 states and the District of Columbia have lotteries.

<sup>15</sup>Much of this section is derived from chapter two of the Gambling Commission Final Report, titled “Gambling in the United States.”

<sup>16</sup>*Ibid.*, p. 7–18.

Modern lotteries offer an array of products, including instant scratch-off tickets, daily numbers drawings, weekly Lotto and Powerball drawings, and video keno, which involves multiple drawings per hour. In 1997, U.S. lotteries produced \$16.5 billion in revenue from tickets and other sales. This revenue is used to add to the public treasury to address education and/or other needs.

The Gambling Commission contracted with national lottery experts, Drs. Cook and Clotfelter from Duke University, to research the impacts of state-sponsored lottery gambling. They documented conclusively that lotteries function as a regressive tax, taking from the poor and giving to those better off. As Cook stated, "It's astonishingly regressive. The tax that is built into the lottery is the most regressive tax we know."<sup>17</sup> Those making less than \$10,000 per year spend more than any other income group, averaging \$597 per year. Furthermore, the top 5 percent of lottery players account for over 50 percent of lottery sales, spending on average \$3,870 per year.

A review of marketing strategies revealed that states advertise in low-income neighborhoods, which tend to be saturated with lottery outlets. They use ads that are "misleading, even deceptive."<sup>18</sup> Such ads are exempt from the Federal Trade Commission's truth-in-advertising standards since they come from state governments.

Another concern is the ease with which minors can participate in lottery gambling, despite legal restrictions. For instance, a Massachusetts survey found that minors as young as nine years of age were able to purchase lottery tickets on 80 percent of their attempts, and that 75 percent of the high school seniors reported playing the lottery.<sup>19</sup> Such experiences can function as a gateway to more intensive gambling and to pathological gambling.

All of this raises the fundamental question of whether states should even be in the lottery business in the first place, spending hundreds of millions of dollars each year encouraging citizens—including those who can least afford it—to gamble their money away in order to feed the state treasury. A growing number of people, such as those citizens who recently rejected a lottery referendum in Alabama, answer "no." The role of the state is to provide for the public good, not to feed the public treasury at any cost.

**Pari-Mutuel Wagering.** Pari-mutuel gambling consists primarily of horseracing, but includes greyhound racing and jai alai. The term pari-mutuel connotes the fact that wagers are put into a common pool, with the odds dependent on the total amount bet on any given horse. Legal in 43 states, several of the major racetracks have been in operation since the 1800s. Total revenue in 1997 amounted to \$3.25 billion. Unique to this form of gambling, the horseracing industry supports a thriving agro-industrial economic sector of trainers, owners, breeders, and stable owners. Although more than 150 racetracks are licensed, most betting takes place through off-track sites or, more recently, through cable and Internet broadcasts directly into the home.

A major policy issue has been raised by those tracks that have attempted to add casino-like gambling devices such as slot machines to their facilities in order to increase revenue. This, in effect, creates a "mini-casino" in an area that was not necessarily zoned for casinos. Additionally, concerns have been raised about the advisability of beaming pari-mutuel gambling into homes via cable and Internet, where children may participate.

**Sports Wagering.** Sports wagering is illegal in all but two states, Nevada and Oregon, but is nonetheless popular in homes and offices. Oregon only allows lottery players to include a wager on pro football games. Nevada, on the other hand, has 142 legal sports books for wagering on just about any prediction for professional or amateur sports events. These books took in \$77.4 million in 1997. However, Americans wager an estimated \$80 billion each year on illegal sports betting, usually without realizing its illegality.

One reason that sports wagering is so widespread is the easy availability of the Las Vegas "line," or point spread, published in newspapers across the country. Although some claim that the line increases sports interest, it more likely simply increases sports wagering.

<sup>17</sup> Ibid., p. 7–10.

<sup>18</sup> Ibid., p. 3–15.

<sup>19</sup> Ibid., pp. 3–14, 3–15.

Perhaps the worst effect of sports wagering is its impact on youth and college students. The National College Athletics Association points out that sports wagering seriously threatens the integrity of college sports and puts student-athletes at considerable risk. There are student bookies on most campuses, organized crime is often involved, and consequences can be tragic—including suicide over an unpaid gambling debt. A recent study found that more than 5 percent of male student-athletes had provided inside information for gambling purposes, bet on a game in which they participated, or accepted money for performing poorly in a game.<sup>20</sup> Furthermore, sports wagering can function as a gateway to other forms of gambling and to pathological gambling.

**Internet Gambling.** First appearing in 1995, Internet gambling is the newest form of gambling. Today hundreds of on-line casinos, lotteries, and sports books advertised on mainline Web sites. With a credit card number, customers can play a video version of blackjack, slot machines, poker, roulette, or other games. One study showed that Internet gambling revenues doubled in only one year, from \$445.4 million in 1997 to \$919.1 million in 1998.<sup>21</sup> Some countries, such as Australia and Antigua, have licensed Internet gambling operators within their borders. Their products are, of course, accessible by anyone, anytime, anywhere, via the Internet.

Internet gambling, like Internet pornography, has been perceived as a threat to children and adolescents precisely because it is so easily available in the home and in college dorms. No one uses the Internet more than America's youth, and no one is more vulnerable to its temptations. Now, every parent has to reckon with the fact that commercial gambling is available in the dens and bedrooms of their homes via the Internet.

Internet gambling can be especially destructive for those who are vulnerable to addictions, since it provides high-speed instant gratification together with the anonymity of the home setting. A Harvard researcher stated, "As smoking crack cocaine changed the cocaine experience, I think electronics is going to change the way gambling is experienced."<sup>22</sup> In other words, electronic gambling is all the more destructive and addictive.

For these and other reasons, including crime and fraud potential, many policymakers are calling for the outright prohibition of Internet gambling. Several states have passed legislation to that effect, and Congress is considering a bill, introduced by Sen. Jon Kyl (R-Ariz.), titled "The Internet Gambling Prohibition Act." Furthermore, the National Association of Attorneys General has called for the federal government to prohibit Internet gambling, recognizing that the issue cannot be resolved on the state level. The Gambling Commission, as well, recommended prohibiting Internet gambling outright. However, given the difficulty inherent in restricting commerce of any kind, whether Internet gambling will be stopped is not clear.

**Convenience Gambling.** Convenience gambling refers to gambling machines that have proliferated in communities and neighborhood areas such as convenience stores, truck stops, and bars. These stand-alone machines, which include video poker, video keno, and slot machines, are known as Electronic Gambling Devices, or EGDs. Some states, such as South Carolina, allow EGDs to operate just about anywhere on a 24-hour basis. In other states, EGDs are run by the state lottery. In Nevada, EGDs can be found in the airport, in supermarkets, in sandwich shops, and elsewhere. Many states also have quasi-legal EGDs known as "gray machines" that are not licensed to pay out winnings and are, supposedly, for amusement only. In reality, winnings are often paid out surreptitiously.

Convenience gambling in some ways represents gambling at its worst. Since EGDs can be almost anywhere, avoiding them is difficult. In some Las Vegas neighborhoods, for instance, a resident cannot even buy a gallon of milk without walking past rows of gambling machines. This makes it much more difficult for those who are vulnerable to addictions to avoid playing and significantly increases the incidence of problem and pathological gambling. For instance, South Carolina, with over 34,000 EGDs, is experiencing a surge of problem and pathological gambling.

Furthermore, this is one more form of gambling that is particularly detrimental to children and adolescents, as it presents them with numerous opportunities to become introduced to gambling experiences at an early age. Many of them will develop into problem and pathological gamblers, having been put at risk for the sake of America's appetite for gambling.

<sup>20</sup> Ibid., p. 3–10.

<sup>21</sup> Ibid., p. 2–16.

<sup>22</sup> Ibid., p. 5–5.

At the same time, economic benefits to the public treasury are minimized since it is usually the local owner—not the state—collects the lion's share of profits. For these reasons, the Gambling Commission recommended not only that states no longer approve convenience gambling, but also that they roll back existing operations. This is precisely what happened in South Carolina, where a recent court decision will likely lead to the removal of that state's 34,000 EGDs.

#### **Federal Policy Recommendations**

Since most gambling laws and regulations are established at the state or tribal level, it is primarily up to policymakers at these levels to take the lead in responding to the tough issues raised by gambling expansion. However, a few areas require federal action. Policy recommendations for the 106th Congress that, if enacted, would greatly support state and tribal efforts to control gambling expansion, include the following:

1. *Ban betting on collegiate and amateur athletic events altogether, and prohibit media from advertising the line on those events.* Sports wagering, especially on collegiate and other amateur events, undermines the integrity of sports and puts students and athletes at risk. It should be prohibited where currently legal; where illegal, regulations should be more rigorously enforced. Newspapers should be prohibited from printing point spreads for athletic contests in areas where sports wagering is illegal.
2. *Amend truth-in-advertising laws to apply to Native American and state lottery gambling ads.* Many lottery ads have been found to be misleading or deceptive; truth-in-advertising laws currently do not apply to states or tribal entities.
3. *Prohibit Internet gambling not already authorized and develop enforcement strategies. Help foreign governments to prohibit Internet gambling that preys on U.S. citizens.* Because of the dangers posed by Internet gambling—especially to America's families and their children and adolescents who are put at risk—Internet gambling sites should be prohibited.

#### **State/Tribal Policy Recommendations**

Because state and tribal policymakers set most of the nation's gambling laws and regulations, they carry the heaviest burden for assuring that those laws are crafted in the interest of the public good. Following are policy recommendations for state and tribal leaders that would not only go a long way towards reigning in uncontrolled gambling expansion, but also would begin to address costs associated with it:

1. *Restrict contributions to state and local campaigns from corporate, private, or tribal entities operating gambling facilities in that state.* Because campaign contributions by gambling interests may unduly influence the political process and because local government tends to become a dependent partner in the business of gambling, states should adopt tight restrictions on contributions to state and local campaigns by entities—corporate, private, or tribal—that have applied for, or have been granted, the privilege of operating gambling facilities.
2. *Prohibit convenience gambling (casino-like machines and games) in neighborhoods, pari-mutuel facilities, and lottery terminals.* Convenience gambling, such as EGDs in neighborhood outlets, has been shown to provide little to no social or economic benefit, and to contribute to significant negative costs.
3. *Detach state government from the operation and promotion of lotteries.* Lottery states cannot avoid a conflict of interest between the public good and the public treasury. They are actively promoting an addictive product that functions like a regressive tax and that is essentially contrary to the work ethic on which viable democracy is based.
4. *Enact and enforce harsh penalties for any gambling outlet that allows underage gambling.* America's growing addiction to gambling puts children and adolescents at considerable risk for gambling addiction through early and repeated exposure. State and tribal leaders should enact and enforce harsh penalties for any abuses regarding allowing or encouraging underage gambling. Penalties and enforcement efforts should be greatly increased.
5. *Establish a 1 percent gambling addiction tax on all gambling operations dedicated to providing for research, prevention, education, and treatment for problem and pathological gamblers.* The social costs inherent in legalized gambling, including problem and pathological gambling and its consequences, have not been adequately addressed.

### Conclusion

The Gambling Commission report stated:

Gambling, like any other viable business, creates both profits and jobs. But the real question—the reason gambling is in need of substantially more study—is not simply how many people work in the industry, nor how much they earn, nor even what tax revenues flow from gambling. The central issue is whether the net increases in income and well-being are worth the acknowledged social costs of gambling.<sup>23</sup>

Because the costs are high, especially for America's youth, a moratorium on gambling expansion is needed now.

Some might argue that trying to stop gambling expansion is like trying to stop a train barreling down the tracks—an exercise in futility. The recent defeat of anti-gambling governors by pro-gambling gubernatorial challengers in South Carolina and Alabama has often been cited as a case in point. Indeed it is, but not in the way expected. Consider the surprising outcome in those two states:

- In South Carolina, where 34,000 video poker machines have sprung up in convenience stores since they were surreptitiously legalized in 1991, Governor Hodges was elected promising to hold a statewide referendum to make video poker regulated, taxed, and permanent. Common wisdom expected Hodges's referendum to pass easily. Instead, concern over the soaring cases of gambling addiction and minimal economic benefits from convenience gambling carried the day. Even as Hodges's referendum was unexpectedly heading for defeat, the South Carolina Supreme Court invalidated the referendum as unconstitutional. This will likely lead to the abolishment of video poker throughout the state.
- In Alabama, where Governor Siegelman was elected promising a new state "education lottery," the governor spent a great deal of time and money promoting the lottery referendum to ensure overwhelming approval. Instead, citizen concerns over the regressive taxation inherent in the lottery, as well as over having the government promote get-rich-quick schemes, turned the debate around. The referendum was unexpectedly but soundly defeated.

As the Weekly Standard stated in an article about these surprising outcomes, "It turns out voters needn't share the 'private moral views' of a religious conservative before they will reject the public morality of state-sanctioned gambling. It turns out they need only be asked to think about and directly act on the matter."<sup>24</sup> The gambling tide may be turning, simply by involving the voters in informed public deliberation—the core of the democratic process.

It is time for policymakers to recognize that the rapid expansion of gambling is putting children and adolescents increasingly at risk and has led to a host of other negative social consequences that have yet to be adequately addressed. Legislators should declare a moratorium on gambling expansion and enact policies to break America's growing addiction to gambling. They must reach out to the many broken lives that have resulted from gambling addiction on a personal level and take action to prevent America's youth from falling prey to gambling's destructive potential. The above policy recommendations will jump-start that process, but the Gambling Commission's Final Report should also be consulted for additional resource data and information.

The question is not so much what can be done—there are many ways to begin, as these recommendations illustrate. The real question is: Do policymakers have the courage to act on behalf of the public good, as opposed to the public treasury?

Senator MCCAIN. Thank you very much, Dr. Kelly. Thank you for your service on the commission. We appreciate it very much.

Mr. Fahrenkopf.

**STATEMENT OF FRANK FAHRENKOPF, JR., PRESIDENT, CEO,  
AMERICAN GAMING ASSOCIATION, WASHINGTON, DC**

Mr. FAHRENKOPF. Thank you, Mr. Chairman.

Mr. Chairman, you have just completed a campaign in which straight talk was your mantra. In that spirit, let's hear straight talk from all of us on this issue. Unfortunately, in my view the

<sup>23</sup> Ibid., p. 7–29.

<sup>24</sup> David Tell, "A Gambling Backlash?" The Weekly Standard, November 15, 1999.

NCAA and its supporters base their case before this Committee on myths, not facts. They have not given the Congress the straight talk you so highly value and the American people so richly deserve. Let us examine just a few of these myths and the actual facts.

Myth number 1, that Nevada sports books are somehow an integral part of the problem of widespread campus gambling. If that were true, the NCAA would have said so to the federal commission, but they did not. The commission did find that illegal sports gambling is as high as \$380 billion annually, making Nevada's wagering only 1 percent of the total. Nevada's wagering, as Senator Bryan earlier indicated, is limited to people 21 years of age and physically present in the state. By contrast, illegal gambling is rampant on and off campus, even though it is by definition illegal.

This month, around \$70 million will be wagered in Nevada on March Madness, while several billion—the NCAA itself says it could be as high as \$4 billion—will be wagered illegally outside of Nevada.

Myth number 2. If Nevada sports books do not take college wagers, point spreads will not be published in the newspaper. Fact: newspapers acquire this information from noncasino sources that are also available over the Internet. For example, USA Today and many other papers print the line from a man named Danny Sheridan, who is based in Mobile, Alabama, not the State of Nevada.

I think this Committee ought to demand that the NCAA provide a credible legal analysis that concludes that newspapers in this country somehow are not going to assert their First Amendment rights on this issue. I have talked to some newspaper people, and I would hope that this Committee would, also.

Myth number 3, that there have been more scandals in the 1990's than in previous decades. Senator Brownback, the NCAA has not given you straight talk on this. There were many, many scandals in the 1950's and 1960's involving many more players and many more games, well before modern Nevada sports books even existed, and they have been in places like Columbia University, Manhattan College, City College of New York, Bradley University and, Dr. Wethington, at the University of Kentucky.

Myth number 4, that the Nevada sports books are somehow involved in recent point-shaving scandals. To say Nevada sports books were involved when a handful of people tried to make money at the sports books' expense is like saying the victim of a robbery is involved in the commission of a crime. The facts are that these scandals originated with illegal student bookies on campus that were found criminally responsible for these scandals. But for Nevada's watch-dog role, the scandals might not have come to light.

And not one single of these point-shaving scandals originated in the State of Nevada. I want to make that very, very clear, because there have been comments otherwise, and I would recommend that this Committee, Mr. Chairman, talk to the prosecutors. Talk to the prosecutors who were involved in the Northwestern case. Talk to the prosecutors and law enforcement in the ASU case. They will tell you a different story and give you a different impression.

With regard to the Northwestern case, Senator Brownback, those individuals were making bets in other states with illegal bookies



long before they ever came to the State of Nevada, and were involved in point-shaving cases with those bookies.

Myth number 5, the NCAA is doing all it can to address gambling problems. Well, the University of Michigan found that nearly half of the Nation's male student athletes are gambling even though such behavior is against NCAA rules. More importantly, listen to the NCAA's own words. Under oath, they told the federal commission that they were only taking "baby steps" and not spending "substantial sums of money" to address illegal gambling.

Last year they wrote the commission that the NCAA is only scratching the surface in addressing the disturbing pattern of gambling among college students. Now, this is the case despite the fact that 5 years ago *Sports Illustrated* ran a three-part investigative series whose summary is still a fact today, Mr. Chairman, and I will just quote one part of that.

As I said, gambling is the dirty little secret on college campuses, where it is rampant and prospering. This SI special report reveals how easy it is for students to bet with a bookie, become consumed with wagering, and get over their heads in debt.

Just the TV revenues alone this weekend in Indianapolis, with their new contract with CBS for \$6 billion for just the men's basketball tournament over the next 11 years will bring in five times more in just one month to the NCAA as all of Nevada's sports books will make on professional and college sports wagering in an entire year.

I do have to commend, however, Coach Calhoun, who is here. The State of Connecticut and his university have probably done more than any other university in this country to deal with the problem on their own initiative, and let me also talk for just a moment about the NGISC report.

Let's get very clear, and I hope the Committee would look very carefully at the National Gambling Impact Study Commission report, because what that study report recommended was that states—states, not the federal government—do something about legal sports wagering.

The recommendation was to states. There were two exceptions where that commission found that there was federal jurisdiction. It had to do with Internet gambling, and Native American gambling. All other matters having to do with gambling the commission felt belonged with the jurisdiction of the states under the Tenth Amendment to the Constitution, and in fact the motion to deal with legal sports wagering says that states should be the ones who handle this, not the federal government.

Mr. Chairman, this is a problem that exists on NCAA member campuses, with NCAA member students. Students are betting with other students on the outcome of these games. They are doing so over the Internet with illegal off-shore cyber bookies. Who better than the NCAA to take the lead in all of this?

To ban college sports betting in Nevada to address this problem is a lot like shutting down the Napa Valley to curb binge drinking on campus. It has no relationship, and we are not alone in this view.

The message was made, or a statement was made about mixed messages being sent. I would hope that all of you would tap into

the NCAA's Web site this week. You want to talk about mixed messages, they there promote sweepstakes with their major sponsors, their major corporate sponsors, and Mr. Chairman, if you dial in there, for \$40 you can buy from the NCAA a bracket, and you can remove from the bracket, something you can wipe off, what is happening in the NCAA tournament, and they say in their own Web site, suitable for office use, suitable for home use.

So the question of whether or not the NCAA is living up to their responsibilities, again, the NGISC recommended very harshly that the National Collegiate Athletic Association do something. They have tremendous power over their member institutions, and they recommended that the NCAA require their member institutions to have in place education programs dealing with student athletes and nonathletes, telling them that gaming is illegal in the United States on college campuses whether or not you are talking about professional athletics or college athletics. None of that, as far as we know, has been instituted.

Let me conclude, Mr. Chairman, by saying we are not alone in this. It is not just Nevada. I would hope that you would look at the people who know and follow college sports in the NCAA on a daily basis, and I am talking about sports reporters, I am talking about columnists, people who follow it, whether or not you are talking about *Sports Illustrated*, the *Sporting News*, the *Raleigh News & Observer*, *Chicago Sun-Times*, *Austin American Statesman*. You go through it. These are the people who follow the NCAA and what is going on, and what the problems are.

And I will conclude if I can, Mr. Chairman, by reading to you what the NCAA, under oath, testified to the relationship with Nevada at the commission hearings of the NGISC. Quote:

The relationship we have with Las Vegas is one that we talk about openly. If we are going to battle this problem, we need everyone's assistance. We help Las Vegas. Las Vegas helps us. We have relationships with sports book directors that we can call and make contacts with. I care not to share who these folks are, but yes, we do have relationships, and we are not afraid to say that we do, and we again are in this to protect the safety and integrity of our kids and the integrity of the contests, and when needed we will use that.

Mr. Chairman, we welcome straight talk on this issue, and we would ask for you to get straight talk. Talk to law enforcement. Talk to the prosecutors who have really been where the rubber meets the road on this issue, and I think they will tell you that Nevada sports books and their millions of law-abiding customers are part of the solution, not part of the problem.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Fahrenkopf follows:]

PREPARED STATEMENT OF FRANK FAHRENKOPF, JR., PRESIDENT, CEO,  
AMERICAN GAMING ASSOCIATION, WASHINGTON, DC

THE FUNDAMENTAL DIFFERENCES BETWEEN LEGAL AND ILLEGAL SPORTS WAGERING

### **I. Introduction**

Mr. Chairman and other distinguished members of the Committee:

I am pleased to be here today on behalf of the American Gaming Association to discuss legal and illegal sports wagering and their separate effects. We welcome this

opportunity to set the record straight about the fundamental differences between the legal sports wagering that takes place on a relatively limited basis in my home state of Nevada and the massive illegal gambling that flourishes in the other 49 states, particularly on and around college campuses.

The American Gaming Association is the national trade association for U.S. commercial hotel-casino companies and casino operators, gaming equipment manufacturers, and vendor-suppliers of goods and services to the commercial gaming industry. Our members are primarily comprised of publicly traded companies that are carefully licensed and closely supervised by state regulators. These companies are also subject to federal supervision by the Securities and Exchange Commission on general corporate matters as well as by other federal agencies on specific gaming-related issues (e.g., taxation and money handling).

The U.S. commercial casino industry directly employs hundreds of thousands of people and indirectly employs many hundreds of thousands more in each of the 11 states that permit commercial casino gaming. Our industry has invested billions of dollars in those 11 states on behalf of its tens of millions of direct and indirect shareholders, including several states represented on this Committee: Nevada, Michigan, Missouri, Louisiana and Mississippi.

Our members are major sources of state and local tax revenues in these 11 states and outstanding corporate citizens with stellar records of commitment to the communities in which they operate. Just last month, the gaming industry was singled out for recognition at a Capitol Hill luncheon by local United Way organizations in the nation's major commercial gaming markets for their charitable contributions and those of their employees. In addition, commercial gaming companies purchase billions of dollars of goods and services from virtually every state in the country in order to serve our tens of millions of customers.

The American Gaming Association's Nevada members operate legal race and sports books in their Nevada hotel-casino-resorts. For all practical purposes, Nevada is the only state in which legal sports wagering is permitted, by acts of Congress and the Nevada legislature, on college and professional sports. (The Oregon lottery has a weekly state lottery game based on professional football games during the NFL season.)

## II. Summary

We agree that rampant *illegal* gambling on sports, including among college students, is a very serious national problem. We also share the goal of protecting the integrity of amateur athletics. For these reasons, Nevada's legal sports books are part of the solution, not part of the problem. This is particularly true when the volume of legal sports wagering is small relative to massive illegal gambling.

Nevada's limited legal sports wagering is easily distinguished from the illegal sports gambling that should be of concern to this Committee. There is no factual basis on which to lump them together, nor is there any connection between the two. The argument that the one-percent of sports wagering in Nevada somehow "fuels" the 99 percent out-of-state that is illegal is absurd on its face. The NCAA knows better because it *did not* seek to ban Nevada's sports wagering when it made detailed recommendations to the National Gambling Impact Study Commission (NGISC) just last year. In fact, the NCAA said it would not do so.

The Committee does not need to merely take our word that, as laudable as it is to reduce illegal sports gambling and protect amateur athletics, the pending bills to ban legal sports wagering in Nevada will not accomplish either objective. Instead, the Committee should consider the independent views of commentators, editorial writers, respected sports analysts, a sampling of which follows:

- **George F. Will**—"Congress now is contemplating a measure that sets some sort of indoor record for missing the point." *The Washington Post*, March 12, 2000.
- **FBI Special Agent Michael Welch**—"The mob will always be involved in sports bookmaking, whether it's legal in Las Vegas or not." *The New York Daily News*, March 12, 2000.
- **Columnist Rick Reilly**—"In fact, passing the bill would be like trying to stop a statewide flood in Oklahoma by fixing a leaky faucet in Enid. Nevada handles only about 1% of the action on college sports. Not that bookies and the mob wouldn't very much like to get their hands on that 1%." *Sports Illustrated*, March 22, 2000.
- **Chicago Sun-Times**—"A Nevada ban is more likely to push wagers underground or onto the Internet . . . A ban will do little to stop betting on college games." Editorial of February 3, 2000.

- **Columnist Mike DeCourcy**—“The NCAA has put no thought whatsoever into its push . . . This is strictly a public relations move that offers no tangible benefit.” Column in *The Sporting News* of January 19, 2000.
- **Business Week**—“Now (the NCAA) is looking to fix its image with a bill only a bookie could love” (January 31, 2000).
- **USA Today Founder Al Neuharth**—“University and college presidents and coaches properly are concerned about the integrity of campus sports. But the solution to the problem is getting their own houses in order.” *USA Today* column of March 17, 2000.

### III. The Importance of Integrity to Nevada’s Gaming Industry

The gaming industry, including those who operate Nevada’s legal sports books, share the goal of this Committee that the integrity of amateur sports be protected for the following simple reasons.

First, many of us are former high school and college athletes and have strong memories of our own experiences playing various sports.

Second, our Nevada members have legal duties as state-licensed, regulated entities to follow, and moral obligations as good corporate citizens to uphold.

Third, and too often overlooked, is that commercial gaming companies have an *overwhelming* financial interest in maintaining the integrity of *all* games that are offered to the public, particularly those of our members who operate Nevada’s sports books within their resorts.

Our industry will rightfully lose public confidence, and with it the customers on whom our employees and we depend, if the gaming offered, including sports wagers, is not conducted fairly and honestly. Furthermore, Nevada’s legal sports books can lose money if a customer places a sports wager when someone is attempting to manipulate the outcome through point shaving.

It is for these reasons that legal sports books take elaborate security measures and cooperate fully and regularly with federal and state law enforcement agencies as well as with the professional sports leagues and the NCAA. To their credit, the NCAA has acknowledged the value of that assistance (see below). *Thus, Nevada’s sports books are part of the solution, not part of the problem.*

### IV. Key Aspects Of Nevada’s State-Regulated Sports Books

#### A. Overview

Legal sports wagering in Nevada is relatively small in volume, accessible only by adults who are Nevada residents or visitors to the state, strictly regulated, closely-supervised, subject to taxation, and part of a broader entertainment experience that drives the industry that is the backbone of Nevada’s economy.

As with gaming and gambling generally, there are fundamental distinctions between legal and illegal sports wagering. It is simply wrong to lump them together or to manufacture connections between them where none exist. These distinctions are not just of degree or shades of gray, but bold differences that make them separate types of activities that should be viewed accordingly by this Committee when examining various types of sports wagering and their effects.

#### B. High School and Olympic Wagering Are “Red Herrings”

At the outset, I would like to emphatically dispense with two “red herrings” that the NCAA has thrown into this debate to divert attention from the real issues.

First, there is no legal wagering on high school sports in Nevada and representatives of national high school associations have acknowledged that fact. By contrast, there no doubt *is* a serious problem on high school campuses with students betting on sports and otherwise gambling with other high school students.

Nevada’s state-regulated sports books have nothing to do with what happens in high school hallways across the country. Instead of being allowed to get away with this maneuver, those high school groups that have weighed in on the issue of Nevada’s legal sports books should be called to account for what they are or are not doing about the serious problem of illegal gambling in their own schools. To do anything less is to miss an opportunity to raise student awareness and thus affect student behavior in a positive direction.

Second, when it comes to the Olympics, there has been only minimal legal wagering on selected events such as the men’s basketball “Dream Team” several years ago. The wagering volumes on these events have been very small. It is important to point out that a representative of the U.S. Olympic Committee recently told the Associated Press that this virtually nonexistent legal wagering has caused no problems. Nonetheless, Nevada gaming regulators will have to determine on a case-by-case basis whether any Olympic wagering is ever appropriate in the future.

### C. State Regulation of Legal Sports Books

Legal wagering on professional and college sports in Nevada is subject to careful regulation by the Nevada Gaming Commission and the Nevada Gaming Control Board. Only adults who are at least 21 years of age and physically present may place a legal wager with a Nevada sports book. Out-of-state wagering is strictly prohibited. Nevada's regulators have taken steps in recent years to strengthen this and related prohibitions. There is no suggestion, much less any evidence, that Nevada's legal sports books are anything but well regulated and well run.

Nevada's gaming regulators, including Gaming Commission Chairman Brian Sandoval and Gaming Control Board Chairman Steve DuCharme, their commission and board colleagues, and their staffs, can provide additional information to the Committee on Nevada's strict regulatory regime. You will find that there are sound reasons why Nevada's gaming regulatory system is used as a model by other jurisdictions, not only in the United States, but also around the world.

When it comes to the regulation of sports wagering, Bobby Siller, the former Special Agent in Charge of the Las Vegas office of the FBI, and currently a member of the Nevada Gaming Control Board told the *Las Vegas Review-Journal*: "From what I understand of this legislation (to ban legal college wagers), it defeats the one system, the Nevada system, which has the ability to detect illegal gambling" (February 6, 2000).

### D. Federal Law, Gaming Policy and Sports Wagering

#### 1. The Professional & Amateur Sports Protection Act (PASPA)

Congress *explicitly* recognized the importance of legal gaming, including sports wagering, to Nevada and its economy when the Professional and Amateur Sports Protection Act (PASPA) was enacted in 1992. Far from being a "loophole," as some now erroneously claim, PASPA's "grandfather clause" was included by Congress to defer to all states, including Nevada, with pre-existing sports-wagering statutes. This was done to protect legitimate economic interests and legal principles. Senate Report 102-248 reads in pertinent part as follows:

Neither has the Committee any desire to threaten the economy of Nevada, which over many decades has come to depend on legalized private gambling, including sports gambling, as an essential industry, or to prohibit lawful sports gambling schemes in other states that were in operation when the legislation was introduced. ( . . . )

Under paragraph (2) [of S. 474], casino gambling on sports events may continue in Nevada, to the extent authorized by state law, because sports gambling actually was conducted in Nevada between September 1, 1989, and August 31, 1990, pursuant to state law. Paragraph (2) is not intended to prevent Nevada from expanding its sports betting schemes into other sports as long as it was authorized by state law prior to the enactment of this Act. Furthermore, sports gambling covered by paragraph (2) can be conducted in any part of the state in any facility in that state, whether such facility currently is in existence.

PASPA's preservation of previously enacted state statutes is consistent with the fact that since the founding of our country, states, not the federal government, have determined what gambling should be permitted in each state, if any, and how any lawful wagering is regulated. The principle of federalism underlying this division of authority is enshrined in the Tenth Amendment to the U.S. Constitution. A *unanimous* National Gambling Impact Study Commission, a majority of whose members were self-described as "anti-gambling," reaffirmed this approach. (See Recommendation 3.1 in the NGISC's June 1999 Final Report.) The primacy of state gaming regulation continues to enjoy broad public support (75 percent in an American Viewpoint survey last year).

Furthermore, the "grandfather clause" in PASPA is consistent with the legislative purpose of that statute. The statute's legislative history clearly reflects that PASPA's primary purpose is to prevent the expansion of sports wagering as a state-sponsored activity via state lottery games.

#### 2. Nevada Has Relied On Current Federal Law For A Decade

Nothing has changed since 1992 to alter the legal and economic basis for PASPA's prospective application. If anything, the passage of almost a decade of time strengthens the case for not re-opening (much less arbitrarily overturning) that "grandfather clause." Until only recently, there has not been a single complaint about it from the NCAA or any other interested party, including when the NCAA testified on several occasions before the National Gambling Impact Study Commission just last year (see below).

In reliance on PASPA's "grandfather clause," Nevada's casino-hotel industry has invested tens of millions of dollars in state-of-the-art race and sports books that are very popular with millions of their adult patrons each year. This is particularly true in each of the major "mega-resorts" that have opened on the Las Vegas Strip in the past few years as well as sports books in resorts of longer standing. The overall investment in *each* of the "mega-resorts" nearly exceeds or does exceed one billion dollars apiece.

Furthermore, now that commercial casino gaming has spread to ten other states, and Native American casinos have spread to about half the states, mainly since PASPA's enactment, Nevada's "grandfather clause" has taken on even greater economic significance. Legal sports wagering is one of the characteristics of Nevada's resort experience that distinguishes it from that offered in other states.

#### *E. Sports Wagering and Nevada's Destination Resorts Today*

##### 1. Overview

Legal sports wagering is enjoyed by many of Nevada's nearly 40 million visitors each year, nearly 34 million of which visit Las Vegas. These visitors come from all 50 states and dozens of foreign countries. For those who do so, placing a legal sports wager in a closely supervised setting is just part of the broader entertainment experience that destination resorts provide. The race and sports books offer a safe and comfortable surrounding to view sporting contests on large screen systems that in part duplicate the fun of seeing a game in person.

Visitors no longer come to Nevada solely or even primarily for casino gambling. Visitors increasingly spend their precious leisure time and hard-earned vacation dollar on fine dining, viewing fine art, playing golf and pursuing other recreational activities, and seeing spectacular headliners and production shows, in addition to taking part in exciting casino gaming. In addition, there are now many unique retail outlets and national chains whose Las Vegas stores are among their highest-grossing locations. Nevada is still the home for professional boxing championships and other bouts, while more recently it has become the home for professional golf tournaments, rodeo events and NASCAR races.

When coming to Nevada, visitors to our state also frequently make side trips to experience the great natural wonders of our region, from the heights of the Sierra Nevada mountains near Lake Tahoe to the depths of the Grand Canyon in our neighboring state of Arizona.

##### 2. The Economic Significance Of Nevada's Sports Books

While race and sports book revenue is a small percentage of the total gaming and non-gaming revenue in Nevada each year, this comparison vastly understates the importance of legal sports wagering to Nevada's tourism industry and the jobs that are dependent on it. For example, this past January, an estimated 250,000 visitors came to Las Vegas for Super Bowl Weekend when the hotel occupancy rate was essentially 100 percent. The Las Vegas Convention & Visitors Authority estimated that the *non-gaming* economic impact of these visitors was \$80 million over that single weekend.

A similar economic impact is occurring this month during the NCAA basketball tournament and will occur again this fall during football season. The jobs generated are not only those in the race and sports books, but extend throughout each of the hotel-casino-resort complexes to maids, valet parking attendants, food and beverage servers, and casino floor personnel. This job creation also includes those employed by the airlines, rental car agencies and taxi services that transport visitors to and around the fastest-growing major metropolitan area in the country. These jobs, as well as general and tourist-specific federal, state, and local tax levies, help generate billions of dollars in federal, state and local government revenues annually.

#### *F. The History of Nevada's Legal Sports Wagering*

To understand legal sports wagering in Nevada, and the fundamental differences between legal sports wagering and illegal sports gambling, it is important to understand a little bit of history.

While legal race and sports wagering in Nevada dates back to the 1930s and 1940s, the modern race and sports books at hotel-casino-resorts only go back to about the late 1970s and early 1980s. In the earlier years, the legal wagering facilities were known as "turf clubs" that were separate from hotel-casinos and largely offered horseracing bets, with only small amounts of wagering on team sports. This changed as a regulatory regime was put in place that allowed hotel-casinos to operate legal race and sports books, as the popularity of team sports increased, and as team sports became more widely distributed over a wider variety of cable and non-cable TV channels (many devoted exclusively to sports). The expansion of television

coverage allowed fans from the around the country to follow and develop a loyalty to teams outside of their traditional “home” areas.

#### *G. Legal Sports Wagering Is Dwarfed By Illegal Sports Gambling*

A critical point to make about *legal* sports wagering in Nevada is that it is relatively small, in fact almost infinitesimal, in comparison to the various forms of illegal sports gambling.

According to the National Gambling Impact Study Commission’s Final Report, the “guesstimates” of *illegal* sports gambling range as high as *\$380 billion each year* (Final Report at page 2–14). By contrast, the total *legal* sports wagering in Nevada is *less than one percent of that amount*. The Final Report concluded that “sports betting [is] the most widespread and popular form of gambling in America” (Final Report at page 2–14).

This month’s NCAA men’s basketball tournament is a case in point. The total amount wagered legally in Nevada will run between \$60 and \$80 *million*. (As with all legal sports wagering, the net revenue to the sports books is less than five percent of the total amount wagered.) By contrast, published reports indicate that in 1995 the FBI estimated that the amount wagered *illegally* was *\$2.5 billion*. That amount has no doubt grown with the NCAA’s marketing efforts and the growing popularity of the tournament. NCAA president Cedric Dempsey was quoted in the news media last year as estimating that *illegal* wagers on the tournament would be closer to *\$4 billion* that year. An article in *The Cincinnati Post* (March 18, 2000) stated that *\$3 billion* would be bet *illegally this month*. The *Christian Science Monitor* (March 22, 2000) said that, “An estimated 10 million fans will go online to get odds or more information on teams, often to place wagers.”

### **V. Illegal Sports Gambling Is A Serious National Problem**

#### *A. Overview*

Distinct from legal sports wagering, illegal sports gambling takes many forms. At one end of the spectrum are office pools and other casual betting among friends that many argue is harmless. While in most states this gambling technically violates the law, as the NGISC found it is not prosecuted. On the other end of the spectrum is the dark underworld of professional and amateur bookies in many communities and on too many college campuses. These bookies often have direct or indirect links to organized crime, as the NGISC learned in testimony from a New York City Police Detective who has done undercover work in this area (See NGISC hearing on September 11, 1998). This organized crime connection extends, at least indirectly, to student bookies on many college campuses (NGISC Final Report at page 3–10).

#### *B. Illegal Sports Gambling Over the Internet*

The most dangerous development in the growth of illegal sports gambling is the Internet, whose illegal operators stand to benefit if Nevada’s legal sports wagers are banned. Given widespread access to the Internet, including by minors, and the fact that persons operating Internet gambling sites are unregulated and offshore, the negative effects of this form of illegal gambling will only grow.

According to a recent in-depth report by Bear, Stearns & Co., there are now more than 650 Internet gambling sites, including many that take sports wagers. The growth in Internet gambling was 80 percent from 1998 to 1999. Thus, every home with a personal computer is a portal for young and old alike to wager on sports and otherwise, *illegally*, with *unregulated* cyber-casinos and cyber-sports books that lack the legal protections that apply to Nevada’s state-regulated sports books. Internet gambling will be unaffected by a ban on Nevada’s sports books taking college sports wagers.

#### *C. Illegal Sports Gambling Is Already Illegal*

Illegal sports wagering thrives despite the fact that federal and state law already prohibits it. For example, as a general rule, every state prohibits all forms of gambling that are not expressly approved by law, and then, only by state-licensed enterprises. This is equally true for sports gambling. In addition, PASPA prevents additional states from sponsoring sports wagering via state lotteries and from authorizing it via private entities within their states. Use of the telephone or the wires to transmit wagers across state lines has been against federal law since the early 1960s. Sports bribery is a serious federal crime. Other federal statutes prohibit the interstate shipment of certain gambling paraphernalia and the transport of unregulated wagering devices.

Thus, if merely enacting prohibitory laws were enough to deter this activity, the problem would not be as severe as all concede it is today. The solution, then, is not a matter of having more laws on the books to prohibit illegal sports gambling or

banning the very small amount that takes place in Nevada. Rather, the solutions lie in properly enforcing existing laws and making certain that the penalties are adequate to deter violations. Congress should hear directly from federal, state and campus law enforcement officials *before* deciding whether to proceed with the pending legislation to ban college sports wagering in Nevada to the exclusion of concrete steps to address illegal sports gambling.

*D. Illegal Sports Gambling on College Campuses is Out of Hand*

The problems created by the various forms of illegal sports gambling are compounded many times over on our nation's college campuses. The NGISC concluded that, "There is considerable evidence that sports wagering is widespread on America's college campuses" (Final Report at page 3-10).

First, given the extent to which our nation's colleges and their students are wired to the Internet, a lone laptop in a single dorm room on any campus in the country has more access to sports gambling sites than there are legal sports books in Nevada. That access by underage students will continue uninterrupted if Nevada's adult visitors and residents are denied access to legal sports books. College administrators should do something directly about access to Internet gambling on their campuses, like installing appropriate filtering software on campus-owned computers and limiting credit card marketing to their students.

Second, according to no less a source than the NCAA, there are illegal student bookies on virtually every college campus in the country, including some with links to organized crime (as noted above). This burgeoning phenomenon was well-documented as far back as 1995 when *Sports Illustrated* published a three-part investigative series aptly called "Bettor Education" that began with this ominous warning:

Gambling is the dirty little secret on college campuses, where it's rampant and prospering. This SI special report reveals how easy it is for students to bet with a bookie, become consumed with wagering and get over their heads in debt.

The student-run illegal bookmaking operations described by *Sports Illustrated* are so prevalent and profitable that fraternities reportedly pass them on from graduating seniors to "deserving" underclassmen. If a January 12, 2000, article in the student newspaper of the University of Pittsburgh is any indication, the description in the *Sports Illustrated* article remains accurate today. (See, "Gambling teaches students painful life lessons," *The Pitt News*, and "College betting rampant" in *The Cincinnati Post* of March 18, 2000.)

Students gambling with student bookies and students gambling informally with friends are commonplace despite the fact that this is blatantly illegal activity. By their own admission, the NCAA and its member institutions have been unable or unwilling to contain that activity. This phenomenon even extends to a large percentage of the student-athletes over whom the NCAA has the most control, despite the fact that *any* sports gambling (on professional or college games) is a violation of existing NCAA rules.

The NGISC Final Report cites a University of Michigan survey of NCAA Division I athletes published last year. The survey found that 45 percent of male student athletes gambled on sports (college or professional). The mean amount wagered through an illegal bookmaker was \$57.25, or an average of \$225 each month. Most alarming, four percent reported having provided inside information, two percent bet on games in which they played, and almost one-half of one percent (2 of the 460 male respondents) indicated they had received money for not playing well in a game.

Despite the publication of the *Sports Illustrated* warning four years earlier, the NCAA's staff painted a dismal picture of its efforts at the NGISC's February 1999 hearings. William Saum, the NCAA's Director of Agent and Gambling Activities, and David Nestel, the NCAA's Assistant Director of Federal Relations, gave the following testimony (according to the published hearing transcripts).

MR. SAUM: We are starting to make *baby steps* forward by merely talking about it. (. . .) *We have a major problem on our campuses*, we can remove the—if we can take action with the *student bookies* on our campus, if we can convince our students and our student athletes that the activity is illegal, and that they should not accept it, we can convince our college presidents, convince our student affairs officers, I believe that that is a first step forward. (. . .)

I would say to you that three, four, five years ago, *because we weren't doing our part*, that possibly our student athletes didn't even know that laying a 20 dollar wager with a student bookie in the frat house was a violation of rule, or illegal. (. . .) (emphasis added).



MR. NESTEL: And that we have found that our administrators, not just athletic administrators, but *the college administrators on campus don't recognize this as a problem*, it doesn't smell, it doesn't—a lot of this now with Internet gambling can go down privately behind closed doors. And it is hard to recognize. And so the message that can be sent here is that *we need to raise awareness*. (emphasis added)

MR. SAUM: The NCAA, for the past 50, 55 years, has always cared about the issue of gambling, but in September of '96 they created the position which I'm fortunate enough to sit in. In November they promoted that position to a mid-management level position within the association. (. . .) We are also proposing to add staff to the issue of gambling. *We are willing to step up to the plate with money. It will not be substantial sums of money*, it will be more money than we have ever spent in the past. (. . .)

I'm not saying they are enough, they are not. Are we behind, yes. But I think we are doing something. (. . .)

*But certainly our institutions' feet must be held to the fire.* (emphasis added)

#### E. Conclusion

Mr. Chairman, with all due respect, diverting attention from the serious problem on college campuses by concentrating solely on the limited legal college sports wagering by adults in a controlled-setting in Nevada, in the face of the spreading cancer on college campuses, is not holding their feet to the fire as independent analysts have recommended and the NCAA's testimony supports.

### VI. The NCAA's Position On Legal Sports Books Is Not Factual

#### A. Overview

If legal sports wagering in Nevada were relevant to illegal sports gambling, or threatened a matter as paramount as the integrity of amateur athletics, the NCAA would have sought repeal of PASPA's "grandfather clause" long before now. Similarly, the NCAA would have made a recommendation to the National Gambling Impact Study Commission to repeal Nevada's "grandfathered" PASPA status. It did not do so.

#### B. The NCAA's Presentations to the NGISC Are Being Ignored

In its presentations to the NGISC, the NCAA concentrated almost exclusively on *illegal* sports gambling without any claim of a connection between legal wagering in Nevada and illegal gambling. The most illuminating evidence is found in the November 10, 1998, hearing in, ironically, Las Vegas. At that hearing, Mr. Saum concentrated on the dangers and causes of *illegal* sports gambling without reference to Nevada. The following exchange occurred with Commissioner James Dobson (no friend of the gaming industry, to be sure):

DR. DOBSON: Mr. Saum, you addressed most of your comments to *illegal* sports gambling. *You didn't have much to say about legalized gambling on sporting activities.* Would you like to comment on that?

MR. SAUM: Commissioner Dobson, Madam Chair and the rest of the commissioners, we—fundamentally the NCAA is opposed to legal and illegal sports wagering, but much like this Commission, *we have not drawn a moral line in the sand that we are going to come out and attempt to change the law.* Certainly, we would be adamantly opposed to any further legalization across the United States. If we're going to have sports wagering, let's keep it in Nevada and nowhere else. Let's not allow individuals to wager from outside the state lines. (. . .)

*So I don't think you will see the NCAA start a campaign to remove sports wagering from the State of Nevada, but you would see us jump to our feet if it would expand outside of state (sic).* (emphasis added)

Later in the hearing, Mr. Saum was asked by Commissioner Leo McCarthy to provide the commission with the NCAA's detailed sports wagering recommendations. Those recommendations were furnished to the commission in a six-page, single-spaced letter from NCAA president Cedric Dempsey dated January 28, 1999.

First, the opening page of Mr. Dempsey's letter contains a startling admission:

Despite our increased efforts in the area of sports gambling education, *the NCAA is only scratching the surface in addressing the disturbing pattern of gambling behavior among college students and youth.* It is our hope that *targeted* recommendations contained in the Commission's final report will provide

the impetus for much needed action while also bringing focus to a problem that has long been overlooked.

The letter makes *no mention* of Nevada's legal wagering as a source of the illegal gambling problem or as a threat to the integrity of amateur athletics. There is likewise no request that Nevada's legal wagering be banned.

Only several weeks after the NCAA's recommendation letter was sent to the NGISC, the commission met for what was styled as a "retreat" in Virginia Beach, Virginia, on February 9 and 10, 1999. The transcript of that hearing verifies that commissioners of all views on gambling, pro and con, were *unanimous* in what can only be described as skepticism bordering on incredulity about the NCAA's proposals that were linked to them receiving federal funding. Several commissioners noted that the NCAA receives hefty television rights fees and other revenues from the uncompensated toil of college athletes. Commissioners suggested several ways in which the NCAA could be more active in combating illegal gambling on the sports events it sponsors.

For example, one commissioner suggested that NCAA membership criteria include requirements that members have programs to adequately address campus sports gambling problems, including mandatory codes of conduct. Several commissioners strongly recommended that the NCAA run more Public Service Announcements (PSAs) on gambling education during major bowl games and tournaments and that these obligations be incorporated in the NCAA's network television contracts. In response to the NCAA's testimony that there was an absence of sufficient scientific research to get beyond anecdotal evidence and supposition about what needed to be done, several commissioners suggested that the NCAA take a leading role since its members include leading research universities.

While these ideas were included in the NGISC Final Report as part of Recommendation 3.13, it is unclear the extent to which the NCAA has implemented them to date. For example, during the February 10, 1999, NGISC meeting, the AGA suggested that the NCAA put the use of PSAs on gambling education in its TV contracts. In response, Mr. Saum said that the NCAA spent a paltry \$25,000 on a video for men's basketball programs that was turned into a PSA during the tournament in 1998. Mr. Saum also said:

"So your point is well made. Can we do more? Absolutely, we can do more. Can we be more creative? Yes. This is a journey we are on, and a journey never ends, and we are not even at the mid-point of this journey, so we will continue to take those ideas, and yes, we need to do that."

NGISC Chair Kay James specifically asked Mr. Saum if the NCAA would do so with respect to PSAs in its TV contracts. Later last year, the NCAA announced an unprecedented \$6 billion contract with CBS just to televise the March basketball tournament over an 11-year period. This is up from \$1.7 billion over eight years. While I have heard second-hand that at least some PSAs on gambling education have been sighted in the dozens of hours of network air time this month, there do not appear to have been many on the air with much frequency. Not doing so on "Selection Sunday" earlier this month when millions of fans, including students, started to fill out their bracket sheets was a lost opportunity.

### *C. The NGISC's Final Report As It Relates to Sports Wagering*

Given the self-evident differences between legal and illegal sports wagering, and the NCAA's own testimony before the NGISC that it would *not* start a campaign to change PASPA, the question of the hour is why the NCAA is now on a singular mission to end college sports wagering only in Nevada, the one place where it is regulated and above board.

Based on a meeting with NCAA representatives on October 5, 1999, and on their subsequent public statements, their dramatic change in course is at least rhetorically based on the NCAA's interpretation of the NGISC Final Report. Congressional sponsors of legislation to prohibit Nevada's legal sports wagering in the name of doing something about illegal sports gambling have echoed the refrain that their legislation "merely implements" an NGISC recommendation.

First, the NGISC Final Report should be read in its entirety when it comes to sports gambling. In doing so, Congress should keep in mind that sports gambling was *not* a central focus of the commission's inquiry, in large part because the commission's charter limited it to legal wagering while about 99 percent of sports gambling is already illegal, yet remains wildly popular. Furthermore, the commission had other priorities and areas of interest. Nonetheless, it did take testimony from persons with a range of views on sports gambling, legal and illegal, and the panel did make a series of *unanimous* recommendations and *one* recommendation on which it was badly divided.

Second, when it comes to the NGISC recommendation to ban the very small amount of legal sports wagering that is currently legal, several important points must be kept in mind. Unlike the other recommendations on sports and other topics, most of which were adopted *unanimously*, only a bare majority of the nine commissioners approved Recommendation 3.7 to ban legal sports wagering.

There is no request in the wording of Recommendation 3.7 that Congress re-open PASPA to repeal the Nevada grandfather clause. Thus, this recommendation must be read in light of Recommendation 3.1, which was adopted *unanimously* as the overarching principle of gaming regulation:

The Commission recommends to state governments and the federal government that states are best equipped to regulate gambling within their own borders with two exceptions—tribal and Internet gambling.

It is *critical* to note that there is *no exception* for sports wagering when it comes to the level of government most suited to determine whether a particular form of wagering should be legal within a state. When the NGISC wished to recommend that Congress act in a given area, it did so explicitly, not only by carving out two express exceptions to the primacy of state regulation, but in the wording of recommendations that expressly call for congressional action.

The correct interpretation of Recommendation 3.7 as being directed to *state* policy-makers and *not* to Congress to re-open PASPA is supported by the “legislative history” of its consideration. Its author, Commissioner James Dobson, first discussed the recommendation on April 7, 1999, at an NGISC meeting in Washington, D.C. The transcript of that hearing includes the following statement by Dr. Dobson on the intent of his recommendation: “And I would like to recommend that we recommend to the *states* that they ban legal betting on collegiate athletic contests.” (April 7, 1999 transcript at 136) (emphasis added).

#### *D. Betting Lines In Out-of-State Newspapers*

When AGA representatives met with NCAA staff on October 5, 1999, we were told that ending point spreads in newspapers to put a dent in illegal gambling was the primary reason for their proposal to repeal the Nevada “grandfather clause.” There is considerable misunderstanding about who creates betting lines published by newspapers. Similarly, there is no factual foundation for the assumption that terminating legal sports wagers in Nevada will affect the availability of betting lines in the newspaper or otherwise, much less that the lack of betting lines in newspapers, even if accomplished, would have a material effect on illegal sports gambling.

We informed the NCAA in person on October 5, 1999, and in writing on October 22, 1999, that initial betting lines are generated for legal sports books by independent sports odds-making services. Decisions about whether to publish betting lines from these and other services are made by newspaper editors *unconnected* to Nevada’s legal sports books that enjoy First Amendment protections and respond to reader interest.

For example, NCAA president Cedric Dempsey had explained in our October 5 meeting that his organization had been unsuccessful in persuading newspapers to stop publishing point spreads. He specifically mentioned *USA Today* as an example. The fact is that the point spreads published in that newspaper are provided by noted analyst Danny Sheridan, as the sports section of that paper clearly states. Mr. Sheridan is based in Mobile, Alabama, not in Nevada.

Even if Mr. Sheridan’s line and other point spreads were to be removed from newspapers, he and many others have Internet sites where such information is readily available to the public. The same information is also available from “800” and “900” telephone services (some of which also take sports wagers *illegally* and even advertise their services in major newspapers and magazines, including campus publications.)

Several years ago, the NCAA tried to withhold tournament press credentials for sports reporters from newspapers that publish point spreads. The NCAA was forced to abandon that effort in the face of First Amendment and other objections. There is no basis to conclude that the NCAA would be any more successful just because legal wagering is banned. To date, the NCAA has not provided any legal analysis to support its assertion that banning Nevada’s sports books from accepting legal college wagers would remove the basis on which newspapers publish this information. Since legal sports books are *not* responsible for publishing this information, it would be a travesty to retroactively terminate Nevada’s limited legal college sports wagering on that basis, particularly without ascertaining the position of the nation’s newspapers and receiving a legal opinion.

*E. The Facts Behind Recent Point-Shaving Incidents On Campuses*

In what appears to be a desperate attempt to generate support for their legislative proposal, the NCAA has taken to rewriting the history of recent point-shaving and other campus gambling scandals. While the NCAA's rhetoric sometimes makes it sound as if campus scandals are zooming into the stratosphere, other communications with Congress have more accurately admitted that such events are "rare" (see NCAA letter to Congress dated February 1, 2000).

The NCAA would have Congress believe that there is a cause-and-effect correlation between the number of point-shaving scandals in the 1970s, 1980s, and 1990s, and the legal sports wagering in Nevada during those decades.

At the February 1, 2000, press conference held in this very hearing room at which the NCAA and congressional sponsors announced support for their bill, the NCAA brandished a chart purporting to show such a linkage. Literally "off the chart" were both the numerous pre-1970s point-shaving scandals that occurred *prior to* Nevada's modern sports books, and *any* mention of massive illegal sports gambling outside Nevada, either before or after the 1970s. These glaring omissions included no mention of the illegal sports gambling at the heart of *each* of the point-shaving scandals in those decades.

The fact is that there were numerous point-shaving scandals, such as those at the University of Kentucky and at several New York City area colleges in the early 1950s, *well before* the modern legal sports books. Sadly, the likelihood of more point-shaving scandals will be *unaffected* by whether legal sports wagering is permitted in Nevada (and it may actually increase without Nevada as a watchdog).

For example, there were eight point-shaving scandals in the 1990s, according to the NCAA's chart. While eight is eight too many, such a small number is the proverbial drop in the bucket when one considers that tens of thousands of games were played in that decade without *any* trace of undue influence.

Despite the relatively small number of these incidents, the NCAA and its allies have attempted to recast how and why they occurred. Some statements have used clever, loaded words like "involved" to describe the relationship between the legal sports books in Nevada and those persons on and off campus who were found legally responsible for these scandals. When confronted, the NCAA has been forced to concede as recently as two weeks ago on national television that our Nevada members and Nevada's regulators helped uncover the scandal that rocked Arizona state in the early 1990s. The NCAA's Mr. Saum also acknowledged this assistance before the NGISC last year:

The relationship that we have with Las Vegas is one that we talk about openly. If we are going to battle this problem we need everyone's assistance. We help Las Vegas, Las Vegas helps us. We have a computer right in my office that monitors the line, and you know better than the rest of us how we can work through that if the line changes.

We have relationships with Vice Presidents of—and sports book directors that we can call and make contacts with. I care not to share who those folks are. But, yes, we do have relationships and we are not afraid to say that we do. And we, again, are in this to protect the safety and integrity of our kids, and the integrity of the contest, and when needed we will use that.

(NGISC hearing transcript of February 10, 1999, at pages 39–40).

Mr. Chairman, the computer line that Mr. Saum testified about will go blank and those relationships will cease if Nevada's legal sports books are prohibited from continuing to accept the limited college sports wagers now taken.

The NCAA even went so far as to bring to its February 1, 2000, press conference the former Notre Dame place kicker who was among those convicted in connection with the point-shaving at Northwestern University. Left out of the NCAA's summary of that case were several critical facts. What the Committee will find if it consults the public court records and those who handled these cases, or even the newspaper articles printed at the time, is a story far different from that implied at the NCAA's February 1 press conference.

Specifically, in both the Northwestern and Arizona state cases the web of illegality began with student bookies that were allowed to flourish on these campuses and infiltrate student-athletes as bettors and sources of information. There is no suggestion in either of these cases that legal sports books in Nevada were responsible for the illegal student bookie operations. Also in each case, athletes got into debt with student bookies and sought to wipe out those debts by committing the reprehensible act of betraying their team mates and besmirching the reputations of their own schools.

Mr. Dan K. Webb, a former U.S. attorney in Chicago who represented one of the convicted campus bookies told the court at the sentencing hearing that North-western was “a haven for gambling” and that the atmosphere on campus “nurtured” his client’s gambling addiction. (See University of Cincinnati student newspaper, *The News Record*, April 7, 1999.)

Again in both cases, those involved attempted to “fix” more than one game by influencing the final score and thus the point spread. *Illegal* wagers with bookies were placed on earlier games and on later games involved in each scandal. It was only when those committing these illegal acts *outside* Nevada tried to make money at the expense of Nevada’s legal sports books on the later games in each scandal were those sports books somehow “involved” in what transpired.

The role of Nevada’s legal sports books was not as perpetrator or witness with knowledge of what was happening back on campus illegally, as the NCAA would have you believe. Just ask those who prosecuted these cases. Instead, this so-called “involvement” was as a potential victim, just as the victim of a street mugging is “involved” in the incident. To close Nevada’s sports books to college sports wagers on this basis would be like closing banks to prevent bank robberies or closing the New York Stock Exchange to stop insider trading.

Two simple facts betray the revisionist history of the Arizona state and North-western cases that the NCAA would now have you believe as they advocate their punitive legislation. First, when asked by a reporter at the February 1, 2000, news conference, the former kicker who was in part responsible for this sports bribery case admitted that he went to Nevada to “con” the legal sports books and “pull one over on them.”

Second, the NCAA issued a statement when that scandal broke and indictments were issued on December 5, 1997. There is no mention in that statement of any role or “involvement” by legal sports books as they now imply. This is true for a very simple reason: there was none. The lack of “involvement” by Nevada’s legal sports books is true in this and other cases for a very compelling reason: as noted earlier, legal sports books have a strong financial interest in the integrity of the games and the accuracy of the betting lines on which wagers are taken.

The NCAA and its supporters have tried to cheapen the role of legal sports books in uncovering the Arizona state incident and helping with other matters by saying that they “only” stopped them after the fact. That is true for the obvious reason that they were not “involved” as the NCAA now suggests and could not possibly have known about these illegal arrangements “before the fact.” Finally, it takes considerable hubris to blame our members hundreds of miles away in the middle of the Nevada desert for not being so clairvoyant as to pick up in advance what illegal activities were taking place on the distant college campuses.

The NCAA also claims that there were more scandals in the 1990s than in the previous decades combined. This accusation flies in the face of the historical record as set forth in last year’s University of Michigan study that the NCAA otherwise often cites. The study outlines a laundry list of serious scandals in the 1950s and 1960s that *pre-dated* Nevada’s modern sports books and make the incidents in the 1990s look tame by comparison.

#### *F. The NCAA’s Other Arguments Are Misplaced*

Equally disturbing has been a statement that a federal ban on Nevada’s legal sports books is justified because college athletes are under financial pressure. First, a recent *New York Times* column correctly points out that much of this pressure is a function of the NCAA’s rules and regulations. (“NCAA Tournament Highlights the Carnival and the Cesspool,” March 26, 2000, “Millions are made while the athletes are punished over pennies.”) Second, we appear to have much more faith in the integrity of our college athletes than the NCAA. The extremely small number of sports bribery cases indicates that our student athletes are *not* succumbing to financial pressure as the NCAA contends.

There have also been statements that the existence of college sports wagering in Nevada amounts to commercial exploitation of “teenagers.” The NCAA certainly does not come to any such discussion with clean hands, not with a \$6 billion multi-year TV contract and a list of blue-chip corporate sponsors that use college basketball players to sell everything from pizza to motor oil.

In the same vein, we have also heard the NCAA speak about the ills of sending “mixed messages” when their own corporate and network sponsors have sweepstakes and contests on their respective web sites, including via the NCAA’s own official web site. This is taking place even though current law and the pending legislation they support expressly include “sweepstakes” among the activities that are *not* to be linked to college sporting events.

### VII. A Comprehensive Review And National Solutions Are Needed

Mr. Chairman, a very fair question of us is what should be done, in the alternative, since we strongly believe that eliminating Nevada's long-standing legal sports wagering is nothing more than empty sensational symbolism, at best.

The answer lies in methodically going back to the NGISC Final Report and the NCAA's recommendations to that panel, the breadth of which are *not* reflected in the pending legislation the NCAA supports.

A case in point is the creation of a Justice Department study panel as Senators Reid and Bryan, among others, have put forward in S. 2050. The NCAA's January 28, 1999, letter to the NGISC contains compelling reasons why such a panel is essential. Congress should have the benefit of the informed views of such a panel *before* Congress considers reversing a statute of long-standing to terminate a legal business only to find out after the fact that doing so was unnecessary or perhaps even counter-productive.

The NGISC Final Report also contains recommendations applicable beyond the sports gambling context that are relevant to this subject, such as federal Internet gambling legislation (on which we and the NCAA are in agreement) and a minimum national legal gambling age of 21 (to be implemented by the states).

### VIII. Conclusion

In conclusion, Mr. Chairman, please permit me to express my very deep regret that over the last several months we have been forced into a pitched battle with the NCAA that was not of our choosing.

As our October 22, 1999, letter to NCAA president Cedric Dempsey clearly shows, the AGA tried to find ways for our two organizations to work together to reduce illegal sports gambling and to protect the integrity of amateur athletics. While the NCAA never responded to that letter (other than by coming to Congress to shut down Nevada's sports books when it comes to college wagering), we have gone ahead without them. For example, we are working with the Harvard Medical School Division on Addictions on a national model program to address a variety of potentially addictive behaviors that our young people need to avoid, including illegal gambling. The NCAA has been AWOL on this project despite being asked to participate.

The American Gaming Association has a proud record on key issues just in the short time since we were created in 1995. We have partnered with the National Center for Missing and Exploited Children on how to handle guests who bring children to our hotels and casinos. We have conducted training on this topic and implemented other ways to prevent access by minors and to enforce the minimum casino playing age of 21. We have also established voluntary advertising and marketing guidelines to target these activities only at adults.

When it comes to pathological gambling and other responsible gaming issues, the commercial casino industry's funding of cutting-edge research through the National Center for Responsible Gaming was commended by the National Gambling Impact Study Commission in its Final Report. Much of this research is directed at how to understand and reduce youth gambling problems.

The narrow legal issue of Nevada's status under PASPA is of direct concern to only one out of the fifty states, even though we submit that each of the other 46 states with various forms of legal gaming should be very concerned about *retroactive* federal preemption of state gaming decisions, as S. 2021 and S. 2267 propose.

Should the NCAA prevail in their crusade against legal sports wagering, there will be millions of disappointed customers and many displaced employees in Nevada, at least in the short term. If nothing else, Nevadans have displayed their resiliency in recent years, first as our state lost its long-held monopoly over commercial casinos and then as the market absorbed thousands of new hotel rooms faster than most expected.

Nevada will survive. We will find other ways to market the rooms of those filled this month by sports fans who asked nothing more than to be able to make a legal sports wager while enjoying everything else our destination resorts offer.

However, passing S. 2021 or S. 2267 will *do nothing* to change the atmosphere on our nation's campuses, where the problem clearly originates when it comes to illegal sports gambling on campuses. The NCAA and its members, who commendably acknowledged their shortcomings as recently as last year, will have little additional incentive to act more forcefully than they have to date. Similarly, *nothing* will have been done to improve law enforcement on and off campus, increase research, or bring treatment and prevention programs into wider use.

The conclusion of the University of Michigan study on the wider extent of gambling problems on campus, particularly among student athletes, said it best: "The great American institution of intercollegiate sports depends on a *comprehensive* response to this problem" (emphasis added).

We strongly urge you to *reject* the NCAA's well-meaning but misguided proposal to ban Nevada's legal college sports wagers, and as an alternative, convene a panel of experts from relevant fields in keeping with what the NCAA once sought and with what the NGISC recommended to Congress last year. The charge to this panel should be to knock heads and develop a comprehensive set of measures for all relevant parties, in and out of government, to implement.

Thank you for the opportunity to present our views on these important issues. I would be pleased to answer your questions and be of whatever other assistance the Committee deems appropriate.

Senator MCCAIN. Thank you very much, Mr. Fahrenkopf. I believe that if college sports gambling were made illegal, that the newspapers would have no reason to publish the point spreads, and I think if it was made illegal we would be able to persuade newspapers not to publish point spreads on something that has been declared illegal.

Mr. Fahrenkopf, Nevada does not allow gambling on the teams that are based in Nevada. The University of Nevada, Las Vegas, University of Nevada, et cetera. Is that not a bit of hypocrisy there? They want gambling on the University of Connecticut's point spread, but not on the institutions that reside within their own state.

Mr. FAHRENKOPF. Mr. Chairman, I think that is a fair question, and despite the fact that Mr. Sandoval and Mr. Siller, who will represent the regulatory agencies who are going to be here, I think on the next panel, let me tell you what my understanding is. It is a rule that has been on the books for over 50 years, long even before the present institution of modern sports books in our state, but the reason goes something like this.

There is legal betting in Nevada, so these young student athletes who attend those campuses are in an atmosphere, a milieu where legal betting is going on. Can you imagine, if we did not outlaw it in the State of Nevada, what the criticism would be upon us?

But whether we are talking about Arizona, or North Carolina, or Connecticut, there it is supposedly against the law. Those students are not supposed to be around a gaming milieu, but as we now know, that is not the case. What happens is that the major sports betting in this country, the major temptation of point-shaving and bookies takes place outside the State of Nevada, Mr. Chairman.

Senator MCCAIN. Well, I find your argument somewhat unpersuasive, given that Laughlin, Nevada, is across the Colorado River from the State of Arizona, a very short, 30-second ride, and yet it is perfectly legal for gambling to take place in Laughlin, Nevada, concerning an Arizona sporting event, but not that of a Nevada-based institution.

Mr. FAHRENKOPF. But, of course, there is a state line there you mentioned Nevada has, and I think you know our industry as well as any Member of this Congress, other than Senator Reid and Senator Bryan, that we do a very good job of regulating—

Senator MCCAIN. I am talking about an atmosphere that prevails in crossing of a river to me is sort of an artificial boundary.

At a January press conference, Kevin Prendergast, a sports bookie and master mind of the Northwestern University basketball point-shaving scandal told the press that he traveled to Nevada and placed significant wagers on fixed games at Reno casinos. Mr. Prendergast admitted that placing bets in Nevada casinos was

much easier than trying to con a bookie. He went on to say, and I quote, “without the option of betting money in Nevada the scandal would not have occurred.”

Do you have a response?

Mr. FAHRENKOPF. When I was commenting a few minutes ago in response to some comments Mr. Brownback had made, talk to the prosecutors in that case, Senator. Talk to law enforcement who was involved.

You will find if you look at the record of that case that Mr. Pendergast was involved in point-shaving cases and betting long before they came out, at the final end, and they were caught laying off money in Nevada. They were involved in cases in four states, with illegal student bookies, long before that came down the pike, and I think when you hear from Nevada regulators, also the laws have been dramatically changed in Nevada, the regulations, since that happened.

Senator MCCAIN. Well, Mr. “Hedake” Smith and his friends were able to place more than \$1 million on the games in Las Vegas. Again, I talk about the geographic proximity.

Mr. FAHRENKOPF. I think they were caught, were they not, Senator?

Senator MCCAIN. They were caught, and in the 1999 issue of Street & Smith’s business journals, Steve Du Charme, head of the Nevada Gaming Control Board, was asked the following question: “How much money is laundered through legal sports books?” The answer by Mr. Du Charme, “we really have no way of knowing. Based on transcripts of wire taps, it is millions of dollars.”

I assume that some of those millions of dollars—and some estimate a lot more of that money laundered—was through scandals, which have been uncovered. To assume that the only crimes that have been committed have been uncovered I think flies in the face of the view of most observers.

Mr. FAHRENKOPF. Well, I will tell you, I hope some of the observers you talk to are the federal regulators who deal with money laundering, and I hope you talk to them about the cooperation that they get from Nevada casinos on this issue, and you can ask again Mr. Sandoval concerning this. There is no money laundering going on in Nevada, as that article implies.

Senator MCCAIN. There is no money laundering going on in Nevada?

Mr. FAHRENKOPF. Well, how do I know? You are correct. You correct me properly. I do not know. There is probably money laundering going on every place in the United States at any given time, but I think if you talk to federal regulators who are charged with overseeing the money laundering activity in this country, they will tell you probably Nevada does a better job than most other places.

Senator MCCAIN. I would hope so.

President Wethington, would you like to make any comments in response to the other testimony that was presented here?

Dr. WETHINGTON. Mr. Chairman, if I might make a couple of comments, and to reiterate a couple of things that I had said earlier.

1) of course we are concerned about illegal gambling, and the NCAA has put most of its attention on that during these last few



years, and 2) we in the NCAA and on the college and university campuses believe that gambling on young people, legal gambling on young people is an issue, and it is one of the issues we ought to be concerned about, and that we are concerned about on our campuses, and we are trying in every way we can to try to do something about that through education. Through all of the efforts that both the universities and the NCAA are making, we are trying to make a dent in gambling on campus.

We believe that putting a ban on legal gambling on college sports, on gambling on young people, is another weapon in our arsenal. We would like to have that legislation to help us with our overall thrust against gambling on college sports.

I would like to make one other point, and I had a note from an NCAA staffer that says that it is incorrect that you can connect to an NCAA Web site for a \$40 sweepstakes, and so I certainly would like to have the record indicate that there is some question about whether the NCAA Web site has a connection that enters a \$40 sweepstakes.

Senator MCCAIN. We will have our crack staff check that out sometime within the next 6 months.

[Laughter.]

Coach Calhoun.

Mr. CALHOUN. Well, once again, it is not a case of finger-pointing, and it is not a case of a panacea. I do not think anybody has brought that forward.

I think what we are bringing forward simply is, this is something that is legal in one state and illegal in every other state. It is a matter of attitude and perception that it is OK.

It is a starting point for us. No one here from the NCAA or member institutions or college coaches are saying this will end what has become a great problem. What I think it will do, though, it will stop the perception that it is OK, that—and I agree with you, Senator, certainly, that I think you can persuade newspapers if something is illegal in every state in America, they will not publish point spreads. I truly believe that, by the way.

And I do think, as we stop that perception, we work from there. As a starting point, I think a ban on gambling on college athletics would be the first step, and hopefully we would take it farther from there.

Senator MCCAIN. A study was released yesterday on wagering by college referees. Do you believe there may be college officials betting on games, and do you believe that officials might act to influence the outcome of games they are calling?

Mr. CALHOUN. No. You know, I kiddingly said in the car incompetence sometimes gets in the way. At least that is what I have told them during the games.

[Laughter.]

But on a more serious note, I was astounded when I read the report. I do not believe that any official has ever set forward in a game to try to, quote, fix the basketball game.

Has it happened? I am sure it probably has, but I do not believe that. I cannot see someone with the integrity of the people that we work with—and I think on this point, by the way, the NCAA has

started a year ago, long before this came out, in questioning and background checks on NCAA officials.

Senator MCCAIN. Senator Bryan—and I want to thank the witnesses. I thank you very much for taking the time to be here.

Senator Bryan.

Senator BRYAN. Thank you very much, Mr. Chairman.

Dr. Kelly, let me ask you a couple of questions here before turning to the other members of the panel.

The number that has been bandied around here is that sports wager in Nevada would constitute roughly 1 to 2 percent of all of the sports gambling in America. Let me just make sure that we have that as part of the record.

That is something that came from the Commission's own report. Do you agree with that number?

Dr. KELLY. With one minor exception. I notice the figure that has been bandied about is a \$380-billion estimate. Actually it was a range of \$80 billion to \$380 billion.

Senator BRYAN. And I said that, but again, so that we understand the premise here, we are talking about sports gambling in America, \$80 billion to \$380 billion, Nevada sports gambling would represent about, say 1 percent of that, and that includes not only betting on college sports but also betting on professional sports as well.

Dr. KELLY. That is correct.

Senator BRYAN. So we are talking about something in the range of 1 percent. I think the record is helpful on that.

Now, it has been asserted here by a number of witnesses that, indeed, if we made sports betting illegal in Nevada on college games that the line posted by many, many newspapers—*USA Today* has been mentioned, and many others as well—would simply disappear, and I guess my question is, in the course of the Commission's examination of gambling, did you bring any witnesses before the Commission from any of the major news organizations, or the organizations that represent newspapers in the country?

Dr. KELLY. I do not believe so, Senator.

Senator BRYAN. So no testimony was offered or requested by the Commission to indicate, in effect, look what would happen if sports college betting were made illegal in Nevada?

Dr. KELLY. I believe we had testimony primarily from the NCAA on these matters.

Senator BRYAN. I am asking the people that are publishing these lines, and a number of witnesses made this point, Dr. Kelly, that if we made college betting in Nevada illegal, that the newspapers would stop publishing the line, and I believe you are telling me—I want to give you a chance to clarify the record if I am misstating it—is that no witness was called before the Commission to offer an opinion on that position from either the newspapers themselves or organizations representing the newspapers.

Dr. KELLY. Just to make sure I am hearing you, do you mean did we have testimony from the media themselves as to whether that would affect their publishing of the line?

Senator BRYAN. Right.

Dr. KELLY. No, we did not.

Senator BRYAN. Nor did you request any testimony from organizations representing the newspapers—I mean, the Publishers Guild, or the various national organizations?

Dr. KELLY. No. Again, it was primarily the NCAA.

Senator BRYAN. Now, one of the statements that has been made here is that the Commission—I believe Mr. Fahrenkopf made this point, that the Commission recommended to state governments and the federal government that states are best equipped to regulate gambling within their own borders with two exceptions, tribal and Internet gambling.

I believe Mr. Fahrenkopf was quoting from the recommendation of the Commission itself—so that the record is clear, that was recommendation 3.1 in the Commission's report—that whatever one's view is of gambling, that essentially, except for Indian gaming and Internet gambling, that that should be an issue left to the states.

Dr. KELLY. That is correct, Senator. If I could just make the point that the letters, nonetheless, that came from the chair and to the commissioners were in support of this federal legislation. However, you are correct.

Senator BRYAN. I understand that, but even under both the new math and the old math, those three letters would not constitute a majority of the Commission.

[Laughter.]

Dr. KELLY. That is correct, Senator.

Senator BRYAN. Now, Coach Calhoun, you have got a great program. I have to say in recent years we have been somewhat envious in Nevada with the great success that University of Connecticut has had, a wonderful program, and let me just say I do not think any of us would disagree with how serious illegal gambling is on college campuses in America. It is a major problem. Your point, you are talking about very young men involved in your program, 18 or 19, and I quite agree. I do not think anybody would quarrel with that proposition.

Let me ask you, though, is it not fair to say that part of the problem is that many of these young people come from backgrounds in which they have really have little or no money? I mean, oftentimes some of these youngsters come from some of the poorest neighborhoods in your own state, in my own state, and in America.

To what extent, in your opinion, does the NCAA rule which limits the ability of these athletes to earn outside income have an impact on the temptations that they might have to talk with an illegal bookie?

Mr. CALHOUN. Well, first of all you are making some stereotypes which are inaccurate. We have a mix.

Senator BRYAN. I am not saying all, but some.

Mr. CALHOUN. Clearly some, and I stated that previous to that. Second, I think the greatest misnomer that I hear all the time—and I have seen it, as a matter of fact, by student athletes who have been involved in taking things, not necessarily in gambling situations, but in others where—I couldn't afford to buy a hamburger, and therefore I was destitute.

The NCAA provides to a student athlete the right to get a full scholarship, which is room, board, tuition, books, and fees, so all his costs at the university are covered.

Senator BRYAN. Those do not include his living expenses.

Mr. CALHOUN. Well, it does include living—he has——

Senator BRYAN. I am not trying to be contentious, but you certainly have to have money to eat, and—you have to have some money.

Mr. CALHOUN. Room, board, which is food, fees, housing, et cetera, books, all academic other——

Senator BRYAN. Which we are fully supportive of.

Mr. CALHOUN. And from that, based on economic need, a young man can apply for a Pell grant, which is worth up to, I believe at this point, \$2,800. If he so qualifies he would receive all \$2,800 for, quote, spending money, so he would have a normal college experience. I think this is what you were alluding to. Other than actual housing and meals he also has the opportunity for special assistance, which can range between, I believe, \$500 and \$700, so a kid that is really needy, without even working, can receive \$3,500 of aid during a 9-month academic year.

Now, whatever math we are doing, you can break it down that you could probably afford a hamburger or go to the movies, do some of those things, because I get very upset—now, I am not saying we are doing enough. Clearly there are other situations that I have a lot of feelings about that we need to do more for these student athletes, but we have a tremendous problem at the University of Connecticut if we are going to just cover men's basketball or women's basketball. We have 600 other athletes. What about them?

So the issue being simply—and the NCAA has gone forward to allow kids to work during semester break now. Now, some of that is not feasible, as you would understand, because you miss the seasons, et cetera, but for some other sports, and many other sports, it is, and there is something during the summer that some of us might have done, and we at Connecticut have really pushed our kids to do this. It is called work. It is a great new experience.

Senator BRYAN. I appreciate it. Your view is essential, you do not believe it is a major problem.

Mr. CALHOUN. No. No, I am not saying that at all. I say there are certain problems, but I think the misnomer that these kids come to an institution—and it is a misnomer—with room, board, tuition, books, and fees, and all other academic-related matters, and then are not allowed to seek any other financial aid, is just not true.

We encourage all of our kids—we have a freshman class coming in. They are being encouraged to make their Pell grant forms out now by their families, special assistance forms, so we encourage that. There are other things, and I am sure the people in the NCAA know I feel very strongly, and a lot of the coaches do, about other ways in which we can help these kids who many times are on college campuses.

I did say in my statement that many of our kids do come from modest backgrounds and could be more tempted, or make misjudgments, and I truly believe that, but I think the idea that kids do not have anything, once again, is totally inaccurate.

Senator BRYAN. I appreciate your comments.

Dr. Wethington, let me ask you a couple of questions, if I may, and I think you are kind of appearing here on behalf of the NCAA, and so some of these questions may be more broadly focused.

Let me say that my daughter-in-law is from Lexington, Kentucky. She lives in Nevada, and on her personalized plate she has proudly emblazoned, Kentucky Cats.

Dr. WETHINGTON. Tell her we very much appreciate that.

Senator BRYAN. So we do have some family tie to the University and the great program you have.

Let me ask you, are there any illegal bookies on the University of Kentucky's campus?

Dr. WETHINGTON. Mr. Chairman, I do not know any personally, but I am certain that there probably are.

Senator BRYAN. I am certainly not suggesting, Dr. Wethington, that you would personally—

[Laughter.]

Dr. WETHINGTON. If you ask me for an opinion, my opinion is that there are.

Senator BRYAN. And how many have been prosecuted since you have been President of the University?

Dr. WETHINGTON. I am not aware of any that have been prosecuted since I have been president.

Senator BRYAN. And what efforts do you as a university—I am asking just to you, sir, because you are here. I am not suggesting the University of Kentucky is probably different from any other university in America, but what efforts, what kind of commitment do you have in terms of your own law enforcement efforts to locate these bookies?

Dr. WETHINGTON. We have a considerable commitment to trying to avoid the pitfalls that we believe that are there both for legal and illegal gambling, and of course legal, there is not an option for legal gambling on college sports in Kentucky, but we have done it primarily through educational efforts, through the bringing in of outside speakers, NCAA staff, FBI agents, and former individuals who have been convicted of being involved in college betting schemes in the past to try to get our students, both our student athletes and the rest of the students on campus acquainted with the issues.

Obviously, our law enforcement on campus police are always looking for any activity that is illegal, whether that be gambling or otherwise.

Senator BRYAN. But your point, and you have been very candid, and I appreciate that, in the years you have been President no prosecution has been undertaken, to the best of your knowledge?

Dr. WETHINGTON. Not that I am aware of, to the best of my knowledge.

Senator BRYAN. Now, Mr. Fahrenkopf made reference to the \$6 billion contract that the NCAA recently signed with CBS. How much money is the NCAA as part of its budget dedicating or devoting to this issue of trying to deal with this illegal gambling on college campuses.

Dr. WETHINGTON. Well, remember, Mr. Chairman, that the NCAA is a collection of the member institutions.

Senator BRYAN. Right.

Dr. WETHINGTON. And we believe, at last account, as much as 94 percent of the revenue coming to the NCAA goes back to the member institutions, either directly to the institution to support scholarships or to championships, which involve all of the member institutions.

Senator BRYAN. Let me accept your conclusion here. I think the question is how much is being spent by the NCAA and the reason why I ask that is because before the Commission they testified they spent \$25,000 on a video and that they would like to be spending a lot more, but it would not be a substantial sum of money. If that is correct, would you not agree that it is somewhat hypocritical to come before us and talk about how serious illegal betting on college campuses is, something I happen to agree with, and yet spending a minimal amount of resources to devote to that issue.

Dr. WETHINGTON. I think all of us, Mr. Chairman, could question the priorities of any organization or institution in terms of its spending, but I can assure you that the vast amounts of these monies, the vast majority of the money goes back to the member institutions. We then set the priorities for the expenditure of those funds and in the case of the University of Kentucky, I don't know what amount we are spending, but a considerable part of the time and effort of all of our staff are involved in anti-gambling activities. I don't know how to put a dollar amount on it.

Senator BRYAN. Well, maybe you could do so and get this information from the NCAA. Another question along that line, how many staff members at the NCAA national level are assigned as their primary responsibility dealing with this issue of illegal gambling on college campuses?

Dr. WETHINGTON. I believe at this point there are three.

Senator BRYAN. And how many member institutions do we have?

Dr. WETHINGTON. 1,074, I believe at last count.

Senator BRYAN. And three are assigned to this problem?

Dr. WETHINGTON. That is correct.

Senator BRYAN. Maybe you answer this question and if you cannot, maybe you can provide the information. As I pointed out in my opening statement that the NCAA testified before the Impact Study Commission in November, I believe, of 1998 and then they were asked to submit a followup letter in terms of things that ought to be done. At no time during that testimony did they indicate that the answer would be to eliminate legal sports betting on college games in Nevada.

Dr. WETHINGTON. Well, Mr. Chairman, I obviously was not a part of that, but my sense of that is that this issue has been one that has been continuing to escalate and that the farther along we go, the member institutions are getting more and more concerned about the overall impacts of gambling, both legal and illegal, and that obviously the NCAA staff are there to represent the opinions of the member institutions and I can tell you now that the college and university presidents are concerned about legal gambling, as they are about illegal gambling.

Senator BRYAN. Are you satisfied that out of a \$6 billion contract and making whatever priorities the NCAA wants to in terms of remitting some of that money to college campuses, that having three

investigators or three people assigned to illegal gambling is, in your judgment, is that a proper priority?

Dr. WETHINGTON. I think it is a proper priority at this point, Mr. Chairman. I don't pretend to believe that the member institutions and the NCAA are devoting in every way the resources that could be devoted to addressing this problem because we have many other problems we are trying to address at the same time, so again, it is a matter of priority. Clearly, I believe that now the NCAA has got gambling high enough on its agenda that sufficient resources and staff will be devoted to the issue. I have no question about that.

Senator BRYAN. Well, it just strikes me that three people hardly represents the kind of priority that I think ought to be devoted to this, but I respect the right of others to have a different opinion. Let me just say that I thought the video was quite good. Would you provide us some information? How often did that video run? I have talked to people who watched a lot of the recent tournament games. I have watched some myself. I have not talked to anybody that saw it run more than once. Now, this is not a comprehensive study, but if you happen to know how many times did it run?

Dr. WETHINGTON. I am informed that that video ran 18 times, Mr. Chairman.

Senator BRYAN. I thank you, and the last question before yielding to my colleague here who I know has a lot of questions. The National Impact Study Commission recommended that the NCAA adopt mandatory codes of conduct on sports gambling education. Has that been done at the University of Kentucky?

Dr. WETHINGTON. There is no university-wide policy. There is under consideration this very semester, and in my opinion there will be a recommendation from our athletics director, Mr. C. M. Newton, and our vice-chancellor that there be a university-wide regulation that deals with sports gambling. Currently, the only regulation we have is the NCAA regulation that does impact our student athletes and our athletics personnel.

Senator BRYAN. Mr. President, you have a provision in your code of student conduct. Let us suppose I am a student at the University of Kentucky. I am not an athlete, but I have been caught involved in illegal gambling, not necessarily as a bookie. Let's put that in once instance, I am a bookie; the other instance, that I am just a student that placed a wager through a bookie. What kind of disciplinary action, if any, have you taken in those circumstances?

Dr. WETHINGTON. We have not, Mr. Chairman, but that is part of the regulation that we are proposing to put in place this semester. Currently, we do not have any such.

Senator BRYAN. And let me say, Mr. President, it may be unfair of me to ask this of you at the University of Kentucky. You are the witness before us. I do not mean to in any way imply that your institution probably treats this differently, but I think the point needs to be made. The NCAA assigns three investigators or three people nationally and that many campuses have not yet adopted these student codes of conduct, although I commend your campus for being about to do so. No prosecutions have taken place. Has any student ever been expelled, to the best of your knowledge, from the

University of Kentucky because he or she has been involved in illegal gambling?

Dr. WETHINGTON. Well, if there had been, Mr. Chairman, I certainly couldn't reveal his or her name.

Senator BRYAN. I am not asking the name. Anyone you know of, sir?

Dr. WETHINGTON. No, I do not.

Senator BRYAN. I thank you.

Senator BROWNBACK. This has been an excellent panel. I have got a few questions that I would like to put forward. First, maybe just to make sure the record is clear on this, Recommendation 3-7 of the National Gambling Impact Study Commission states "the Commission recommends that betting on collegiate and amateur athletic events that is currently legal be banned altogether." That is from the Commission report. There was some question about whether these two letters constituted a majority or not. That is within the recommendations. Am I reading that correctly, Dr. Kelly?

Dr. KELLY. That is the recommendation. I think the counterpoint being made is that the first recommendation in Chapter 3 was, and I would read it, "the Commission recommends to state governments and the federal government that states are best equipped to regulate gambling within their own borders with the two exceptions of tribal land Internet gambling." I guess the hope here was that Nevada would take the lead on her own.

Senator BROWNBACK. But nonetheless, it is a recommendation of the overall Gambling Impact Study Commission?

Dr. KELLY. Yes.

Senator BROWNBACK. And then passed by a majority vote.

Dr. KELLY. It passed by a majority and the report in its entirety was unanimously adopted.

Senator BROWNBACK. So this is part of a unanimously adopted report from that gambling impact study, is that correct?

Dr. KELLY. The entire report was unanimously adopted. That particular recommendation passed by a majority.

Senator BROWNBACK. The overall report is unanimous; this one by a majority?

Dr. KELLY. Yes.

Senator BROWNBACK. Thank you. I wanted to be clear on that. If I could, Dr. Wethington, and thanks for really all of your candid comments. I suppose if you are in a court of law, your lawyer would be jumping up saying I object and not wanting all of these answers to be put forward, but I appreciate and I am glad you are doing it this way. That is the way you should be. How many total employees does the NCAA have, do you know?

Dr. WETHINGTON. I had better turn to the NCAA staff to get the latest update. Approximately 320.

Senator BROWNBACK. And then you have the three that are currently dedicated at the NCAA for this issue probably going to be jumping because of the impact. How many people on the campuses around the country are involved in gambling? You mentioned a number of people at the University of Kentucky as a part of your thousand institutions. Do you have any idea how many across the



country are focusing any portion of their time on gambling problems?

Dr. WETHINGTON. I know of no way to put a number on that, but I can tell you that my hope is, as it is in my institution, that all of us involved in the administration of athletics programs, including coaching personnel, are spending a part of their time on anti-gambling measures.

So I believe you will find that virtually all of the administration of our colleges and universities of their athletics programs now consider it as a serious enough issue that a portion of the time of these individuals are all being spent on this issue and I like that much better than dedicating full time people to that issue, since compliance with various rules and regulations and otherwise is much broader than gambling.

Senator BROWNBACK. And so you are saying you have higher level personnel but several FTEs, full-time equivalents per college campus that are involved?

Dr. WETHINGTON. Yes, in the large institutions, Senator Brownback. In the large institutions. That would not be true, undoubtedly, in the smaller institutions that are a part of our organization.

Senator BROWNBACK. And you are going to be stepping it up further apparently too, because of the nature of the problem, Dr. Wethington? We have had a lot of critics of the legislation claim that if the NCAA were so serious about this ban, why didn't they submit it as a recommendation to the Commission. Could you address that issue directly to the Committee?

Dr. WETHINGTON. I have addressed that in some fashion, but could address it again and in that, I believe that this is being, this is an issue that is getting of increasing concern to all of the member institutions, to the colleges and university presidents, the NCAA staff. Perhaps some of these incidents in the nineties have caused us to put more time and effort and attention on the matter than we might have otherwise.

But in short, I simply believe that this is an issue whose time has come, that we look back now at the action taken earlier in the nineties, find a loophole here that we on the colleges and universities and NCAA simply feel needs to be closed for us to be able to address the overall issue of gambling on college sports.

Senator BROWNBACK. I have a couple of questions, if I could, for Mr. Fahrenkopf. I appreciate your passion for your industry, which is large. How big is the gaming industry in the country?

Mr. FAHRENKOPF. Well, you have got some form of legalized gambling in 47 of the 50 states. There are three states that have no form of legal gambling.

Senator BROWNBACK. The total dollar amount of the gambling industry in the U.S.?

Mr. FAHRENKOPF. I forget who testified. Someone testified that the gross revenue was around \$80 billion for the entire industry, but that includes lotteries, state lotteries that exist in 37 states, plus the District of Columbia, horse racing, et cetera.

Senator BROWNBACK. Now, I take it you don't have much dispute with Coach Calhoun on the problems that they are having on college campuses?

Mr. FAHRENKOPF. Absolutely, we agree, Senator.

Senator BROWNBACK. You don't have a problem with him that it is not a panacea, what we are proposing in this legislation?

Mr. FAHRENKOPF. I will stipulate to that.

Senator BROWNBACK. But it is a start.

Mr. FAHRENKOPF. Well, I am not sure it is a start. I think our position is this and that is why I urged during my formal testimony that this Committee talk to law enforcement because they will tell you that the fact that there is now legal betting in Nevada and people out there who work with law enforcement, that all of this they will tell you is going to go underground. It is not going to disappear. We are not going to stop gambling.

Senator BROWNBACK. But if I could build on that question, I take it from that logic that really we should have more legal sports gambling across the country would be your answer, that that would be the way for us to catch it in Kansas if we would just make it legal, then we would have it investigated then.

Mr. FAHRENKOPF. I would not advocate that position, although to be kind to them, I think Dr. Kelly will tell you there was some discussion. There were advocates of that during the National Gambling Impact Study Commission that trying to prohibit anything of this nature, you are going to have an opposite result than what you seek, but I don't take that position.

Senator BROWNBACK. I am glad you don't take that position, although the argument you put forward seems to be that would be the best way to handle it. Do you, Mr. Fahrenkopf, I would like to know whether you believe gambling on student athletes is unseemly.

Mr. FAHRENKOPF. That is a fair question. I think we, however, live in a society today where, as we have indicated, and I think the witnesses before this Committee have indicated, since 1992 it has been against the law in 49 states to bet on student athletes in 49 states. That is the law in this country and what is happening is the law is not being enforced and the American people are not following the law.

Senator BROWNBACK. Well, I am just curious if you think it is unseemly to bet on student athletes?

Mr. FAHRENKOPF. Well, Senator, I heard you on C-span this morning. I understand you said in that interview that you placed a bet in a pool having to do with basketball, and I have done the same.

Senator BROWNBACK. I am asking you, do you think it is unseemly to bet on student athletes?

Mr. FAHRENKOPF. I do not.

Senator BROWNBACK. You do not think it is unseemly?

Mr. FAHRENKOPF. I do not. If it is illegal I do, but if it is in a legal setting where it is tightly regulated and where it is controlled and where the individuals involved in the business are cooperating with law enforcement to try to solve the illegal problem, I don't think it is.

Senator BROWNBACK. And even if we had sports gaming cases and ones that involved illegal betting, and even if it has an impact on those and even if referees are involved in legal ones, you don't find that unseemly?

Mr. FAHRENKOPF. Well, the news that referees are involved, that the Chairman mentioned, that is really, really a tough one and, of course, I would agree with anyone who would condemn that type of activity.

Senator BROWNBAC. Well, I hope you would. One final point that I would like to raise and we have other panelists, but we would like to get the University of Kansas off of the betting line in Vegas. If we got the board of regents or if you wanted the Kansas legislature because I like states rights issues as well, for them to directly petition the Nevada Gaming Commission to remove the University of Kansas, actually to remove all colleges in Kansas and maybe, I don't know, Arizona might want to join in too, but have the state do it, would you join us in pushing that they be removed from the board in Las Vegas in Nevada?

Mr. FAHRENKOPF. I would not personally. I represent the industry that is involved, but you have a marvelous opportunity in the next panel to ask the officials of the State of Nevada who are charged with the legal responsibility.

Senator BROWNBAC. I would hope as one who is such a great advocate of states' rights and so passionate and clear on that, that you would allow these institutions that are pleading for some help and a start, not a panacea but a start, to say yes, you are right, that is legitimate. If the University of North Carolina wants off, I will work with you through this association and will pull them off.

Mr. FAHRENKOPF. Well, you know what, I work for people, I have a board of directors. I couldn't make that commitment to you.

Senator BROWNBAC. Well, I would like for you and I think that you could. I have other questions, Mr. Chairman, but we have other panel members.

Mr. FAHRENKOPF. Can I add one thing to the question you asked, Senator Brownback? If you go back and look at the record of the National Gambling Impact Study Commission, the motion with regard to the sports betting says as follows: "I would like to recommend that we recommend to the states that they ban legal betting on collegiate contests."

Senator BROWNBAC. I am asking you if you will allow the states to say we don't want the University of Kansas, Kansas State University or any other on your board in Vegas on your betting line, then take us off and we pass it through the board of regents in Kansas, we pass it through the state legislature. You give us the body you want us to take it through, we will do it. We want off. Then you guys should step forward and say OK, that state has spoken and they are very clear in their speak I mean, we will get the Governor to come and present it directly, if you would like for us to, but get us off that betting line. That is what we want off.

Mr. FAHRENKOPF. One of things anyone who is familiar with the industry in our state is that we are very, very tightly regulated and controlled, anybody in our business, and as I said, you are going to have an opportunity to talk to the regulators who control our industry.

Senator BROWNBAC. I would hope that you as an industry would carry this on forward for our state and for many others. Thank you, Mr. Chairman.

Senator MCCAIN. Thank you very much. I want to thank the panel for their patience and their time. It is not nearly noon and we started this at 9:30 and I very much appreciate your patience and that of the following panel. Thank you very much for your contributions to this, what is obviously a very important issue and I thank you very much.

Our next panel is Mr. Don Yaeger, Senior Writer, *Sports Illustrated*, Mr. Brian Sandoval, Chairman, the Nevada Gaming Commission, Dr. Kenneth Winters, Professor of Psychology, University of Minnesota.

Mr. Yaeger, welcome. I am a long time reader of the things you have written and we appreciate very much that you would take the time to present your views to the Committee on this very important issue. I appreciate the coverage that your magazine has extended to this important issue in the past, including the tragedy that took place in my home state of Arizona.

**STATEMENT OF DON YAEGER, SENIOR WRITER,  
SPORTS ILLUSTRATED**

Mr. YAEGER. I do appreciate the opportunity to have a chance to chat with you on this subject. I am at *Sports Illustrated* one of two investigative reporters at the magazine and as a result, we have the opportunity to maintain I guess you could talk about boxing as well.

[Laughter.]

But to hear and talk about gambling related issues, point shaving allegations, rumors, the kinds of things that float through the college sports world on a pretty regular basis. In fact, we probably could dedicate one of the two of us full time to just chasing these rumors, it happens so frequently and as the discussion has come today, more frequently today than ever before.

I wanted to just talk about a couple of stories that we have done at *Sports Illustrated*, one of which, you stole my thunder slightly, Senator, talking about Hedake Smith at Arizona state. That's a story that we worked on for months and months and we were fortunate enough to have Hedake actually tell us and come clean with what it was led him to shave points and how he did it, the whole process of how he did it, because that is an important point here.

When Chairman Fahrenkopf said right here that he was in fact, that Hedake Smith was caught by the system, I think a real important point here is that yes, Hedake Smith is today in a federal prison. I did speak with him this weekend because I wanted to talk to him about this visit here. But Hedake Smith wasn't caught by the system. They suspected that they had committed, because of an overwhelming number of bets and the bozos he was hanging out with, that that is what led to the suspicion.

Hedake Smith was ultimately caught and convicted because one of the people that was involved in his enterprise got arrested on another charge and chose to trade Hedake Smith for a lighter sentence on another issue, so it wasn't necessarily that Hedake Smith was caught by the system of regulation in Nevada. Hedake Smith was caught later when prosecutors were able to get someone else to get Hedake Smith to talk to them.

Senator MCCAIN. Even though there was a swirl of allegations?

Mr. YAEGER. There was a swirl of allegations to the point that in fact if I could just tell the story for a second because I do think it is an important story for those of you who don't know it to have.

This is a guy who was a definite NBA player, an incredible talent. He got caught up in betting with bookies, got behind, had to figure out a way to get out. The bookie presented him with an opportunity that was to shave points. He did so on several games. The amazing part is that on one of the games in which he shaved points, he sat a Pac 10 record, hitting ten three-pointers in a game. Everybody was amazed. How could a guy be the Pac 10 conference player of the week and be shaving points at the same time?

Well, Hedake Smith figured it out. I score a lot of points, but I let the guy I'm guarding score points, too. Pretty soon, it's all even, and so Hedake Smith's experience and what it showed me when I was talking to him, it was just how basic, how simple. He and I watched a bunch of games together because it just so happened the story I was working on, we were working on it during a basketball season. We watched a lot of games at his home in Dallas.

I was amazed. I mean, he would point out, he said, you know, isn't that slightly suspicious. His experience made me suspicious of a lot of things, because again, no one suspected when a guy hit ten three-pointers in a game that he was shaving points. No one, not the FBI, not Las Vegas. It just so happened that at the end of that season there was one game left. They were all trying to make a ton of money.

Hedake Smith had told a couple of friends. They all rolled up to Vegas and started spreading money all over casinos all over town. They reached the plateau that actually sent all of the regulators scrambling and that became such an issue in fact that, and when you mention the swirl of allegations, that the head coach of Arizona state actually discussed at half time during his half time speech with the team the fact that there were rumors out here that someone in this game is in on a fix.

Senator MCCAIN. Mr. Sandoval, you never had any information about this, did you?

Mr. SANDOVAL. Thank you, Mr. Chairman. This is an honor to be before you. This occurred before I took the chairmanship.

Senator MCCAIN. But the Nevada Gaming Commission did not know anything about this, right?

Mr. SANDOVAL. The Gaming Control Board knew about it when the bets were being made because the licensees told them.

Senator MCCAIN. Did they investigate?

Mr. SANDOVAL. The Gaming Control Board did investigate.

Senator MCCAIN. How come they didn't find anything out?

Mr. SANDOVAL. They did find something out, Mr. Chairman, and it's my information they advised the Pac 10 and they advised the Arizona State University.

Senator MCCAIN. Why didn't they advise the law enforcement agencies, since it was clearly a violation of the law?

Mr. SANDOVAL. We are a law enforcement agency.

Senator MCCAIN. Why weren't charges brought? Why wasn't, I mean, come on, Mr. Sandoval. If you knew a crime was committed by notifying the Pac 10, is it exactly what we would expect of a regulatory commission?

Mr. SANDOVAL. Mr. Chairman, I didn't say we knew a crime was committed. We were suspicious of it.

Senator MCCAIN. So the answer to my question is you didn't know a crime was committed?

Mr. SANDOVAL. We were suspicious of one.

Senator MCCAIN. But the answer, Mr. Sandoval, we like to have people answer questions in this Committee, and my question to you is, did the Nevada Gaming Regulatory Commission know that a crime was committed?

Mr. SANDOVAL. No, we did not at the time.

Senator MCCAIN. Thank you. Please proceed, Mr. Yaeger.

Mr. YAEGER. But I do think an important here in answer to the discussion is that the bottom line is if one of Hedake Smith's greedy friends hadn't been arrested on a theft charge, all the suspicion in the world would have done no good. The crime, Hedake Smith would have just been a man under a cloud. He wouldn't be where he is today.

It happens that it happened a different way and I will tell you just from my time covering college sports traveling with players and meeting and spending time in dorm rooms and houses with athletes, that there are a lot of people out there that wonder, for every Stevan Smith who did get caught because of the way he did get caught, how many out there aren't getting caught. How many out there really are involved in some kind of an enterprise to either profit or dig themselves out of a hole as a result of their time and using their athletic talent to do so.

A second story that we did at *Sports Illustrated* on a similar subject is related to a bill that your colleague, Senator Kyle also has on Internet gambling and I chose that assignment because it got me to Antigua for awhile, but while in Antigua, I did have the chance to sit in. This is the very infancy of that industry at the time, nevertheless, in thirty of these little Internet gambling sites. I sat in those gambling sites and I had the chance on one day to actually talk to a dozen of the people who were calling in to try to figure out how do I set up an account with you, how do I begin betting of the Internet.

Of the dozen, half were college students. I asked those college students in conversation well, do you know athletes? Oh, yeah. And one was from the University of Wisconsin. He told me he hung out with several players on occasion, that at the time, again, the whole Internet gambling thing was kind of an early frenzy. None of us understood what it would become. I mean, I heard just last week the number is up over 400 now, Internet gambling sites where you can bet on college sports.

And I do understand you all are trying to regulate that, but that Internet gambling issue, you combine that with the whole, with the Hedake Smiths of the world, and I started to realize those college kids, what they told me when I talked to them on the phone from Antigua was that what they liked about it was the Internet gambling allowed them to, they could bet on their college sports, it would be great, and they could do it with practical anonymity they didn't have to worry about. They registered a credit card. They didn't have to worry about having to really deal with a bookie. They didn't have to fly to Vegas.

So I started to wonder and I started to talk to NCAA officials. I started talking to coaches who really do have their thumb or their finger on the pulse of this issue and I really do think that if we had a few Hedake Smiths in the early 1990's, you throw the Internet in, you throw that anonymity, I mean, who knows if the quarterback of the University of Florida, when they open their season next fall against my alma mater, Ball State, who knows if he spent that afternoon on the Internet trying to figure out exactly what its going to take and who would know. How would we know? Las Vegas is not going to be able to prove it one way or the other.

There are other issues that I know you all have to take up in a separate bill, but I think that you mix those two, the Internet gambling issue and you mix the point shaving and you really do have a recipe for disaster.

The bottom line is I do think that if you do eliminate legal gambling in Las Vegas as a member of the media, I can't speak for Ruppert Murdoch or I can't speak for the New York Times. I would be shocked if anyone in our profession would continue to run the betting line if you did, if you eliminated illegal gambling. But I will tell you that by having Roxie Roxborough in Nevada, you have someone out there that's deemed immediately credible. Yes, you would still have betting. There is no question you would still have betting if you had it, but it would all be underground, but you would have less confidence in it because the people out there betting in Cleveland, Ohio wouldn't know what the line is in Dallas, Texas. Today they all do. Why? Because you have legalized betting in Nevada. That line that is drawn in Nevada allows people throughout the country to feel some confidence, even if they are betting with a bookie, that they are betting on something that is legitimate.

Senator MCCAIN. Mr. Yaeger, I thank you very much. And I thank you for the continued efforts that you and your colleague make on investigating a lot of things that unfortunately need to be investigated in American sports. And I thank you.

Mr. YAEGER. Do not eliminate all this stuff too quickly or I will be out of a job.

[Laughter.]

Senator MCCAIN. Right. I think that there is enough in boxing for you and I both to be employed for a long time.

Mr. YAEGER. Yes, sir.

Senator MCCAIN. Thank you, Mr. Sandoval. Thank you for being here. And thank you for the outstanding job that you and your Commission does. I have urged on many, many occasions that our Native Americans who engage in gaming model their regulatory schemes and apparatus on what you do in Nevada. And I thank you for the outstanding job that you and the Commission in the State of Nevada does.

**STATEMENT OF BRIAN SANDOVAL, CHAIRMAN,  
NEVADA GAMING COMMISSION**

Mr. SANDOVAL. Thank you, Mr. Chairman. And we are proud indeed of what we do. I know there are several pending questions. I would be happy to answer those right away or I have a brief statement to make to the Committee.

Senator MCCAIN. Please proceed with your statement, Mr. Sandoval.

Mr. SANDOVAL. Thank you, Mr. Chairman.

I am Brian Sandoval, of Reno, Nevada. I serve as the Chairman of the Nevada Gaming Commission. I am here at the request of U.S. Senator Richard Bryan and Nevada's Governor Kenny Guinn. They have asked that I assist this Committee, as the representative of our state's gaming control system. I am not here as a defender of Nevada's gaming industry. I am here, however, as the chief gaming regulator in our state. I come before you to present the facts about a gaming control system that has evolved over more than half a century, to become the model for jurisdictions in this country, as well as the world.

The Nevada gaming industry is subject to more extensive controls than any nongaming industry anywhere in the world. Sports wagers are taken in Nevada under the strictest governmental controls possible. Integrity is the watchword, beginning with the quality of the companies that are licensed to accept those wagers. The investigations necessary to qualify a company and its executives for licensing by our Commission may cost it more than \$1 million and take more than a year to complete.

After our Commission licenses a sports book, we subject it to the most vigorous enforcement standards and auditing procedures. First and foremost, a patron must be 21 years of age and physically present in the State of Nevada to place a bet at a sports book. Sports books must guarantee payment in full of all wagers. Any dispute over a wager between a patron and a sports book is subject to immediate investigation and a full adjudication process at no cost to the patron.

We require sports books to conduct business with a computerized system that is inspected and approved. This system must document every wager received, every win paid out, the result of each sporting event, and every change in odds. The wagering areas are under constant video surveillance. Sports books employees must subject themselves to extensive background checks, and management is put through an even more rigorous licensing process.

In 1998, before the issues associated with this hearing were publicized, the Nevada Gaming Commission significantly revised and strengthened the regulations governing our sports books. We adopted regulations that prohibit messenger betting. It is illegal in Nevada for a person to place a bet for another at a sports book for compensation. This was done to further ensure that our sports books are not unwittingly used by illegal bookies to hedge their bets.

Sports books are also required to obtain the name, address, telephone number, social security, and driver's license number of any patron who bets more than \$10,000 on a single sporting event, or an aggregate of \$10,000 within a 24-hour period on several events. This requirement discourages illegal bookmakers and fixers from placing bets at Nevada casinos. We also prohibit the use of any communication device by a patron within a sports book. This is another tool to prevent unsavory persons from using a Nevada sports book.



The ultimate tool at our disposal is the so-called black book, or the list of excluded persons. Once a person is placed in the black book, they are banned from Nevada's casinos for life. After placement in the black book, it is a felony for a person who is in the black book to enter into a licensed establishment.

In fact, our black book's most recent entry was placed there for attempting to place bets at Nevada sports books related to his illegal bookmaking operation in California. And I can assure you, Mr. Chairman, we stand ready to include more people like him in our black book, and will cooperate with anybody to do so.

This has only been a summary of the comprehensive regulatory system in our state upon which we rely to ensure integrity in the Nevada wagering system. A related goal of that system is to identify any irregularity that may indicate a breakdown in the integrity of athletic contests outside the state. Nevada sports books closely monitor fluctuations in betting activity as a possible indication of problems with a sports event. If someone is attempting a fix, Nevada's books may likely be the target. It is self-evident that failure to detect a fix could cost a casino millions of dollars.

In addition, sports books set limits on the amount they will accept on a bet on a game. A series of unusual bets will cause a book to take that game off the board until the reasons for such wagers can be investigated. As an added measure, sports books continuously monitor point spreads at other sports books by computer to ensure the integrity of the games.

And as we have discussed, without the vigilance of the Nevada sports books and Nevada regulators, college point shaving incidents may not have been brought to the attention of the NCAA and law enforcement agencies. We believe the NCAA staff will confirm the high degree of assistance they have received from Nevada. For example, NCAA enforcement authorities have a computer that receives the latest information from Nevada on sports wagering activity.

It is undisputed that Nevada sports books are the first line of defense against unlawful interference in college sports events. If this bill becomes law, this protection would be lost and illegal bookmakers would have fewer obstacles to attempt to fix a game and perhaps cause an explosion in Internet or illegal gaming.

As a final note, I know there has been criticism—and this is to respond to Senator Brownback's concern—because Nevada's gaming regulations prohibit wagers on our colleges for any college game played inside our state, but allow wagers on games involving other colleges outside the state.

Senator BROWNBACK. Mr. Chairman, if I could.

I do not object to your limiting it to Nevada. That is wonderful. Go ahead and do it. God bless you. I want Kansas off of it.

Mr. SANDOVAL. Well, I will get there, Senator.

That provision was first adopted prior to the creation of Nevada's present system of gaming control in 1959, which marked a historical acceleration in the state's effort to eliminate any underworld influence in Nevada casinos. The best explanation for the provision is that it was created to combat the perception from out-of-state bettors that Nevada residents, because of their proximity to college athletes, could potentially have information that allows them an

advantage concerning the outcome of a game. Due to this perception, and not reality, the regulation has been retained.

The best analogy that I can think of is large corporations which have a sweepstakes. Typically, the employees and their families of that corporation are prohibited from participating in the sweepstakes because, if they won the grand prize, there may be a suspicion that something went wrong.

And on a personal note, as a graduate of the University of Nevada, I am a big football fan as well. Each week, the Monday after the game, there is a meeting of the boosters with the coach. People ask questions: Who has been injured? How are we going to do against Oregon? Et cetera. There is information that is exchanged. And, again, I think that would create a perception, if it were legal to bet on Nevada teams, that Nevada residents who have close proximity to the athletes would have an unfair advantage.

Mr. Chairman, on behalf of Governor Guinn and all the residents of the State of Nevada, I appreciate the opportunity to present a successful system of regulation that protects the citizens of our great country and the integrity of amateur sporting events. And, finally, on a personal note, I will be traveling to your great State of Arizona to watch the Ohio State Buckeyes, my other alma mater, play the Arizona Wildcats.

And if I ever thought for a moment that what we do in the State of Nevada would have an effect on the magic, as a former witness discussed, or the integrity of that game, I could not sit before you today and give you the testimony that I am giving. On the contrary, I feel what we do in the State of Nevada helps preserve that, and I am proud of the system that we have. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Sandoval follows:]

PREPARED STATEMENT OF BRIAN SANDOVAL, CHAIRMAN,  
NEVADA GAMING COMMISSION

I am Brian Sandoval of Reno, Nevada. I serve as the Chairman of the Nevada Gaming Commission. I am here at the request of U.S. Senator Richard Bryan and Nevada's Governor, Kenny Guinn, a former university president. Governor Guinn asked that I assist this Committee as the representative of our state's gaming control system.

I am aware of the various allegations that have been lodged against Nevada casinos and their sports books. I respectfully suggest those allegations have a basis more in myth than in fact. There is nothing in the record that indicates legalized sports wagering in Nevada has compromised the integrity of any athletic contest at any time or at any place. Not one college sports scandal is the result of legal sports wagering.

Legal sports wagering in Nevada is dwarfed by illegal sports wagering outside the state. Some sources estimate illegal sports wagers exceed \$350 billion a year. By comparison, Nevada sports books annually accept about \$2.5 billion in wagers. This means Nevada sports books account for less than 1% of the total amount wagered on sports events in the U.S. annually.

These figures also speak to the American appetite for, and acceptance of, sports wagering. We should not kid ourselves: whether legal or illegal, the American public will continue to bet on the outcome of sporting events, and we will not change this behavior through legislation. Instead, we will simply drive the betting activity underground in the one place where it is currently taxed, strictly regulated, and purged of the credit and collection excesses of illegal bookmaking operations.

I am not here as a defender of Nevada's gaming industry. I am here, however, as the chief gaming regulator in our state. I come before you to present the facts about a gaming control system that has evolved over more than 50 years to become the model for jurisdictions around the world.

Mr. Chairman, I and all the other members of the Nevada gaming control system applaud your mission to protect our country and its citizens against the harm caused by illegal gambling. It is a goal toward which we continuously dedicate our efforts in Nevada and we believe we have come closer to reaching it than any other state. I am unaware of any evidence that there is any organized crime influence in Nevada sports wagering or that Nevada college campuses have any of the illegal bookmaking activities that apparently are prevalent on other college campuses throughout the United States.

Our gaming control system not only is free of criminal involvement; it is insulated from politics. Sen. Richard Bryan, who had an illustrious record as Governor of Nevada, can testify how careful a succession of governors have been to keep the gaming control system independent from the Governor's Office and free of political influence from any one.

The first appointment made by Governor Guinn to the State Gaming Control Board was a decorated career agent of the FBI. When I was appointed Chairman of the Gaming Commission, I was a member of a successful law firm. The first action I took was to resign from my firm and become a sole practitioner to minimize any possibility of conflicts of interest that could interfere with the performance of my official duties.

We in Nevada concur with the National Gambling Impact Study Commission view that states are best equipped to regulate casino gambling within their own borders and we take that responsibility seriously.

The Nevada gaming industry is subject to more extensive controls than any non-gaming industry anywhere in the world. And the gaming industry has a record of adherence to those controls. The major companies in Nevada gaming have billions of dollars invested in their operations. The most recent example is the approximately \$6.5 billion that the MGM Grand proposes to pay for Mirage Resorts. Such an investment can be jeopardized by any violation of Nevada gaming law, whether in the operation of sports books or anywhere else.

Sports wagers are taken in Nevada under the strictest governmental controls possible. Integrity is the watchword, beginning with the quality of the companies that are licensed to accept those wagers. The investigations necessary to qualify a company and its executives for licensing by our Commission may cost more than one million dollars in investigative and related expenses and may take more than a year to complete.

After our Commission licenses a sports book, we and the Nevada State Gaming Control Board subject it to the most vigorous enforcement standards and auditing procedures.

Patrons are protected. Sports books must maintain a bond under the control of state regulators that guarantees payment of wagers. Any dispute over a wager between a patron and a sports book is subject to immediate state investigation and a full adjudication process, without any cost to the patron.

Our control system requires sports books to conduct business with a computerized bookmaking system that we have approved. This system must document every wager received, every win paid out, the result of each sporting event, and every change in odds. The wagering areas are under video surveillance. Adherence to a strict control system is required at all times.

Nevada books must decline any bet attempted by someone who has been paid by another person to do so, and it is a violation of our criminal code for an individual to place wagers for compensation. In 1998, before the issues giving rise to this hearing were ever brought up, the Nevada Gaming Commission significantly revised and tightened up the regulations governing our sports books. This was done to further insure that our sports books are not unwittingly used by illegal bookies to hedge their bets. In addition, books set limits on the amount they will accept on a game. A series of unusual wagers will cause a book to take that game off the board until the reasons for such wagers can be investigated. Sports books continuously monitor point spreads at other sports books by computer.

Nevada casinos are also subject to cash transaction reporting laws that your own financial watchdogs—the GAO—have found to be more demanding than those of the federal government. Nevada enforces these casino cash transaction regulations evenly and strictly. Our Commission has imposed fines of hundreds of thousands of dollars on Nevada casinos for acts that are illegal under Nevada law but legal under comparable federal law for casinos in other states. The toughest anti-money laundering regulations in the world are those we impose on our sports books.

This has been only a summary of the comprehensive regulatory system in our state, upon which we rely to ensure integrity in the Nevada wagering system. A related goal of that system is to identify any irregularity that may indicate a breakdown in the integrity of athletic contests outside the state. Nevada's books closely

monitor any fluctuation in betting activity as a possible indication of problems with a sports event. If someone is attempting a "fix," Nevada's books may likely be the targets.

Without the vigilance of Nevada sports books, college point-shaving incidents may not have been brought to the attention of the NCAA and law enforcement agencies at all and certainly would not have been discovered as quickly as they were. Nevada's sports books have been the first to identify suspicious betting activity and to bring it to the attention of law enforcement agencies and the NCAA. Before the National Gambling Impact Study Commission, NCAA staff confirmed the high degree of assistance they have received from Nevada and the value of that assistance. For example, NCAA enforcement authorities have a computer that receives the latest information from Nevada on sports wagering activity.

Without Nevada's sports books, this first line of defense against unlawful interference in college sports would be lost.

I acknowledge the good motives of those who believe that the elimination of Nevada's sports books will eliminate the biggest cause of illegal sports wagering. However, I respectfully suggest that a close examination of the facts will not support that conclusion.

It also has been suggested that the point spreads published in the nation's newspapers are a root of illegal wagering and that those point spreads will disappear if Nevada's sports books are closed. In my view, there is no factual basis for this view.

For example, persons who do not live in Nevada and who have no relationships with Nevada casinos develop the USA Today and other widely disseminated point spreads. Point spreads are readily available from the great number of sports books operating elsewhere in the world, many of them over the internet, which take bets on college sports in the U.S. and which together far exceed the amount wagered in Nevada.

But more importantly, Nevada regulators have long recognized the importance of point spread, or line, information to wagering activity and have taken steps to maintain the integrity of this information. Three companies, called line information services, are currently active in providing point spread information services to Nevada sports books. These companies are investigated and held to the same high standards as the operators of gaming establishments and sports books. If they were to somehow manipulate the line information, or supply it to illegal bookies, their license to engage in business in Nevada would be in instant jeopardy.

As a final note, I know there has been criticism because Nevada's regulations prohibit wagers on our colleges or any college game played inside our state but allow wagers on games involving other colleges outside the state. That provision was first adopted prior to the creation of Nevada's present system of gaming control in 1959, which marked a historical acceleration in the state's efforts to eliminate any underworld influence in Nevada casinos. I have been unable to locate the record of why that provision was adopted some 50 years ago, before the creation of the Nevada Gaming Commission and the comprehensive system of regulation we have today. The best explanation for the provision is that it was created to combat the perception from out of state bettors that Nevada residents, because of their proximity to college athletes, could potentially have information which allows them an advantage concerning the outcome of a game. Due to the perception, and not reality, the regulation has been retained.

Mr. Chairman, on behalf of Governor Guinn and the Nevada gaming control regulators, I thank you for allowing me time to present facts today. I hope they will help dispel the myths.

I spent some of my earlier years as a member of a Nevada legislative committee with jurisdiction over gaming laws. Our approach in fashioning solutions was to first establish the problem and the reasons for it. I am sure each of you takes this same approach.

Therefore, I endorse the view that—without infringing on the constitutional right of states to make their own decisions about legal gambling—the Congress should make resources available for a meaningful study of illegal wagering on college sports, including whether Nevada sports books have any effect on it; the effectiveness of present countermeasures; and the need for new countermeasures. I can assure you of the full cooperation of Nevada's gaming regulators in that process.

Senator MCCAIN. Thank you very much, Mr. Sandoval. And I repeat my praise for the job that you and your Commission does. And as I say, I have often urged my Native American friends to enact your apparatus as their model, which, unfortunately, I have not

been able to succeed in doing. And when we get into the Q&A, however, I think Mr. Yaeger's points are well made, and I would be glad to hear your response to them.

Dr. Winters, welcome.

**STATEMENT OF KENNETH WINTERS, PH.D., PROFESSOR OF  
PSYCHOLOGY, UNIVERSITY OF MINNESOTA**

Dr. WINTERS. Good afternoon. Thank you, Mr. Chairman and other esteemed members of the Senate.

As a researcher in the field of youth problem gambling, I appreciate this opportunity to offer my points of view. Briefly, just a little bit about my background. I have been studying this topic for about 10 years. I have been fortunate to be funded by the National Center for Responsible Gaming, a foundation that funds research projects. I was also a member of the National Research Council's Committee on the Social and Economic Impact of Pathological Gambling. As you know, this Committee was commissioned to prepare the research report for Congress and for the National Gambling Impact Study Commission.

Furthermore, I am also assisting the National Association of Student Personnel Administrators in their efforts to organize a national survey of gambling on college campuses. I wanted to raise this to let you know there are other organizations outside the NCAA who are looking at this issue and trying to get a handle on the extent of the problem and the kinds of things that could be done to prevent it.

I recognize that gambling is a legitimate form of recreation. However, I am dismayed by the fact that gambling has expanded so fast in our country in the past decade that health officials and lawmakers have not been able to adequately respond to the fact that some individuals fall victim to the lure of gambling. Furthermore, it has been very difficult for the experts to provide a reliable estimate of the expected social and health impacts of this expansion or to evaluate even the short-term costs that may or may not have already occurred.

Nevertheless, in the brief time I have I would like to just briefly summarize three main points from research literature concerning gambling by college students. This is not just student athlete gambling, but gambling in general on college campuses. Hopefully, you will find that this research knowledge base will be important in the context of our discussion on the proposed bill.

The first point, placing bets for money, particularly social and informal betting, is very common on college campuses. I know that this issue has been discussed a lot today. I would like to emphasize, though, that a lot of college gambling appears to be a very benign form of recreation by students, with low amounts of money being wagered and at low levels of activity.

However, a small but appreciable percent of college students overindulge at a serious level. And these students can be legitimately diagnosed or classified as problem or pathological gamblers. The best estimate of the rate of problem gambling among college students is somewhere in the range of 3 to 5 percent. In the context of what we know about adults, the rate of problem gambling is about 1 to 2 percent. So we can say that among college students,

the rate of problem gambling is threefold or more than among adult populations in our country.

The characteristics that are often associated with problem gambling status among college students are being a male, having a history of heavy alcohol use or use of other drugs, being an average or below average student, and having at least one parent with a current or past gambling problem. Being a college student athlete does not statistically increase one's risk at this point of our knowledge base.

Point number two: Research indicates that the games most often played by college students are informal ones that do not involve the provision of any sanctioned or legal venue. These games typically include playing cards with friends, betting on games of personal skill and sports betting. And those students that get in trouble with gambling typically engage in these three activities, as well.

Thus, placing a bet on the outcome of a sporting event by a typical college student most often is a very social phenomenon that does not involve any kind of activity with Nevada or legal venue. Also, it is likely that the pattern of sports betting by college students mirrors the pattern found among adults. That is, it increases during the time of high-profile sporting events, such as the Super Bowl and the NCAA Basketball Tournament.

An important unknown to this issue of game preference is Internet gambling by college students. I am glad that one of the previous speakers noted this. We may be just seeing the tip of the iceberg with this new form of gambling. Clearly, college students with an interest in sports betting may readily gravitate to the Internet to satisfy their habit.

The third point: There is a great need to increase the awareness among college administrators about the potential effects of gambling on the health and well-being of college students. As a researcher, it is obvious that more data is still needed. We know very little about the reliable extent of problem gambling and the factors that lead a young person to progress down a path of pathology. We also know very little about to what extent specific games, including sports betting, contributes to the development of problem gambling.

A related topic is to convince student health clinics to regularly screen for gambling problems among students who present for mental health or chemical dependency problems. One of the most reliable findings from the National Research Council's report was that problem gambling is highly associated with other behavioral disorders, particularly depression, alcoholism and drug addiction.

For example, the elevated risk for problem gambling is about fivefold among those with already a substance use disorder, compared to those who do not have a substance use disorder. It is likely that problem gambling goes undetected in the majority of these co-disorder cases, because screening for gambling problems is not yet a routine part of student health clinics. A related issue would be for colleges to develop and implement expanded health awareness campaigns.

I will conclude with the point that I began with the issue that the country is not directing a sufficient share of health care spotlight on the incredible expansion of gambling. It is my hope that this Committee will take a leadership role to increase the country's

sensitivity to the many health issues surrounding problem and pathological gambling among our young people.

If legislation is to be advanced to address this problem, I encourage you to go down the path of legislation that has a lot of teeth to it. This is needed to get the attention of young people. Young people are rarely impressed by legislation from Washington about their personal behavior. And it behooves us, if we want to change human behavior, particularly among young people, to make sure that the legislation matches our intended goal.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Winters follows:]

PREPARED STATEMENT OF KENNETH WINTERS, PH.D., PROFESSOR OF PSYCHOLOGY,  
UNIVERSITY OF MINNESOTA

Good morning esteemed members of the Senate. As a researcher in the field of youth problem gambling, I appreciate having this opportunity to offer my points of view. My background includes a 10-year history of actively researching youth gambling, including a recent study funded by the National Center for Responsible Gambling. I was a member of the National Research Council's Committee on the Social and Economic Impact of Pathological Gambling. This Committee was commissioned to prepare the research report for Congress and the National Gambling Impact Study Commission. Also, I am assisting the National Association of Student Personnel Administrators in their efforts to organize a national survey of gambling on college campuses.

First, I want to clarify my position on gambling. I am not anti-gambling. I recognize this industry as a legitimate form of recreation. However, I am dismayed by the fact that gambling has expanded so fast in the past decade that health officials and law makers have not been able to adequately respond to the fact that some individuals fall victim to the lure of gambling. Also, it has been very difficult for the experts to provide a reliable estimate of the expected social and health impacts of this expansion, or to evaluate the short-term costs that may or may not have already occurred.

Nevertheless, in the brief time that I have today, I wish to briefly summarize three main findings from the research literature concerning gambling by college students. It is important to place this research knowledge base in the context of the debate on banning amateur sports betting.

Issue Number One: Placing bets for money, particularly social and informal betting, is common on college campuses. It appears that the extent of gambling involvement by most students is probably quite benign. However, a small, but appreciable, percent of college students over-indulge at a serious level. These students can be legitimately classified as problem or pathological gamblers.

The best estimate of the rate of problem gambling among college students is between 3 and 5%. The characteristics that are often associated with problem gambling status are 1) being a male, 2) being a heavy alcohol user or a user of other drugs, 3) having average to below average grades, and 4) having at least one parent with a current or past gambling problem.

Issue Number Two: Research indicates that the games most often played by college students are informal games that do not involve the provision of any sanctioned or legal venue. These games include playing cards with friends, betting on games of personal skill, and sports betting. Students who are problem gamblers typically participate in these games as well.

Thus, placing a bet on the outcome of a sporting event by a typical college student most often is a very social phenomenon that occurs without placing a legal bet in Nevada. Also, it is likely that the pattern of sports betting by college students mirrors the pattern found among adults: That is, it increases during the time of high-profile sporting events, such as the Super Bowl and the NCAA basketball tournament.

An important unknown to this issue of game preference is Internet gambling by college students. We may be seeing just the tip of the iceberg with this new form of gambling. Clearly, college students with an interest in sports betting may readily gravitate to the Internet to satisfy their habit.

Issue Number Three: There is a great need to increase the awareness among college administrators about the potential effects of gambling on the health and well being of college students.

More data are still needed from campuses across the country regarding the extent and nature of problem gambling. We still do not have an adequate understanding as to the onset and course of gambling in general, and the development of problem gambling, in particular. Also, we know so little as to how involvement in specific games, such as sports betting, contributes to problem gambling.

A related topic is to convince student health clinics to regularly screen for gambling problems among students who present for mental health or chemical dependency problems. One of the most reliable findings from the National Research Council's report was that problem gambling is highly associated with other behavioral disorders, particularly depression, alcoholism, and drug addiction. For example, the elevated risk for problem gambling is about five-fold among those with a substance-use disorder compared to those without a substance use disorder. But it is likely that problem gambling goes undetected in the majority of these co-disordered cases because screening for gambling problems is not yet a routine part of student health clinics. A related issue is for colleges to develop and implement health awareness campaigns.

Final Comments: I began by raising the question that this country is not directing a sufficient share of the health care spotlight on the incredible expansion of gambling. It is my hope that this Committee will take a leadership role to increase the country's sensitivity to the many health issues surrounding problem and pathological gambling among our young people. Thank you.

Senator McCAIN. Thank you very much, Dr. Winters.

Mr. Siller, I understand that the tragedy of the tornadoes impeded your progress here. And I am glad you were able to be here. And thank you for going to all the trouble. Thank you for being here.

**STATEMENT OF BOBBY SILLER,  
NEVADA GAMING CONTROL BOARD**

Mr. SILLER. Thank you, sir. And I appreciate the opportunity to be here.

Life is choices, and yesterday I had a choice of having a connecting flight in Arizona, and I chose Texas.

[Laughter.]

Senator McCAIN. Too many people chose that recently.

[Laughter.]

Mr. SILLER. Obviously I did not mean it that way, Senator.

[Laughter.]

Senator McCAIN. Thank you for going to the trouble to be here, sir.

Mr. SILLER. But I am about as disappointed as you are about that.

Senator McCAIN. Thank you.

Mr. SILLER. Again, thank you for allowing me to speak to you. I hope you will be patient with me. I found out yesterday I was coming here, and spent all night, as you know, on different flights in different cities trying to get here. And I took down some notes and tried to get my thoughts together.

I welcome any questions after I give a brief presentation, but I would like to start out by just telling you my name is Bobby Siller. And I recently retired from the FBI, after 25 years with that wonderful agency. After my retirement in January 1999, I was appointed to the Nevada Gaming Control Board by the current Governor, Kenny Guinn. I must tell you that I am not a gambler. And the most I have ever waged in my life is about \$10. And again, Senator, it was on the Texas lottery, and I did not win.

However, I have investigated illegal gambling as an FBI agent, as a field supervisor, as an FBI Headquarters supervisor in the Or-



ganized Crime Section, and as the Special Agent in Charge of the FBI in the Law Vegas Division. I am familiar with illegal bookies and the influence organized crime has over them. I have reviewed Senator Brownback's proposed bill and legislation, and I do not believe that this bill will eliminate or significantly reduce betting on college sports.

In my opinion, it would drive sports wagering further underground, and create a greater possibility of organized crime influence over sports wagering. There are already significant laws on the books to address illegal college sports wagering. There are 10 federal laws that I am personally aware of that, either directly or indirectly, address itself to illegal sports betting. And there are countless local laws in cities and towns to address illegal wagering.

I would like to just illustrate for a very brief time during my experience how law enforcement agencies and obviously local governments prioritize their particular crime problem and, based on budget and resources, how they address those problems. I do not believe I have lived in a city or have been assigned to a city where targeting bookies have been high on the investigative or crime list of wanting to do something about that problem.

I believe we all agree that illegal betting on collegiate sports is a problem that must be addressed. I would like to suggest an alternative to the legislation and an alternative or suggestion that I believe addresses the problem. I spent many years formulating strategy on the Safe Streets Initiative, on Weed and Seed programs, on organized crime initiatives that attack organized crime throughout the United States, and even on our drug strategy.

I saw the drug strategy go from a local to an international and back to a local, and user and distributors and various ways of approaching that problem. But I do not believe I ever participated in a strategy that really addressed illegal bookmaking. And I have lived in cities where bookies, pretty much everybody knows who they are and what they are doing—and that is illegal bookmaking.

My suggestion is in three parts. The first part is that, with the assistance of federal funding, we develop an aggressive strategy that emphasizes zero, zero tolerance, toward illegal bookmaking. I see illegal bookmaking as being one of the major problems facing other communities, outside of Nevada, regarding illegal bookmaker college wagering.

The strategy should be designed around targeting illegal bookmakers across the country at peak college wagering times. Now, what is unique about this, unlike the war against drugs, Safe Streets and some of the other programs, is that it is not necessary to have a sustained law enforcement initiative. We can create and motivate local law enforcement and governments to target with zero tolerance illegal bookmakers around March Madness and the bowl games.

By doing that, illegal bookies, you take away all of their options. You may not capture all of them, but you will create an environment that is so difficult for them to profit that eventually you will hit the heart of the problem. And the heart of the problem, the way I understand what we are talking about here, is college wagering. By having zero tolerance, with support from the federal govern-

ment on a collective strategy to zero tolerance, just during that time period.

It does not have to be a sustained effort. And again, I emphasize March Madness and the bowl games. Obviously the federal funding would encourage local governments to devote the resources and the funds to that problem.

The second part of my suggestion, and you probably already have heard some of the things that I am going to talk about, is to increase our efforts to educate college students regarding gambling and illegal sports wagering. I believe that examples are programs like when I was with the FBI, we had programs that specifically targeted the athletes. We would send FBI agents out to the various universities and colleges, and we even did this with pro sports.

And we would sit down with those athletes and we would talk about the vices that support prostitution and that support gambling and what they may or may not be faced with. We gave them examples of how they could be approached by organized crime for point shaving, a classic case of what happened at Arizona state at that particular game.

In essence, what I am saying is better educate our students and our athletes regarding the pitfalls of sports wagering. In Nevada, one of the first things I did when I became SAC of that office is I got together with the athletic department. In that particular case, the current Athletic Director Charlie Cavanaugh. He and I talked about these issue. We talked about the fact that there were a lot of young athletes coming in and Las Vegas is a very fast-moving town, and they may not be familiar with some of the fast life and the things that they may be faced with.

We came to an agreement where I sent out FBI agents to sit down with all of their athletes. We showed them a training film that identified what they would be facing, how they should behave. We were attempting to educate them. After being appointed to the Board, I talked to the current SAC in Nevada and personally sat down with him and, again, Charlie Cavanaugh, and got the Board more involved in this. In brief, what I am saying is an educational program that really gets to the heart of some of the problems on the campuses as far as their being vulnerable to organized crime's influence.

My third suggestion, and I strongly encourage you to resist any temptation or resist any argument to support Internet gaming. I think there should be an all-out ban on Internet gaming. It may have already been mentioned to you by my distinguished colleague, but there are more sports betting sites available on a single campus computer than there are sports books in Nevada. Any student can go on the Internet and be exposed to more sports betting and other types of wagering than we have in all of Nevada.

In summary, it is my position that this bill does not address the issues. And I suggest that we target the real cause of the problem, and that is illegal bookmakers, Internet gambling, and that we do a better job of educating our college students to resist sports wagering and educate them on gaming.

Thank you very much.

Senator MCCAIN. Thank you very much.

Mr. Sandoval, do you agree with Mr. Siller that there should be a ban on Internet gambling?

Mr. SANDOVAL. I do.

Senator MCCAIN. Dr. Winters?

Dr. WINTERS. Yes. It is just, how are you going to do it?

Senator MCCAIN. Because of offshore Internet sites?

Dr. WINTERS. Yes, the regulation. It sounds like a nightmare. Some people say it is the gambling form of crack cocaine, because of the ease and the ability to do it privately, the kind of reward system that it can set up. It can really hook people.

Senator MCCAIN. How do we do it, Mr. Yaeger?

Mr. YAEGER. I do not know how you do it. I do know, from having been down there, and I know that there is a case present in New York right now, where I believe the U.S. Attorney from New York—has that case been resolved? I know they were trying one of the Internet gambling site founders up in New York. I assume they probably found him guilty. Several others have pled. But I think their issue is they would like to be regulated. They would like to be regulated like Nevada. And they are willing to move onshore.

This is what they tell me anyway. Most of them are willing to move onshore and be regulated and taxed. But, again, the problem becomes access to kids and how you figure out who is doing that.

Senator MCCAIN. Both Mr. Sandoval and Mr. Siller believe that this legislation is not necessary. Do you agree with that, Mr. Yaeger?

Mr. YAEGER. From what I have seen of it—and again, I got a copy yesterday—I think that it is your first shot across the bow. Again, like everybody else, if there was a silver bullet out there, if there was an answer to it, I think all of you would have taken it. I do not know. Does it completely eliminate betting on college sports? No. But I do not think the crafters of this legislation believe that that is true. But I do think it would make a significant dent.

Again, talking to Hedake Smith this weekend, I asked him, what if they outlawed college sports betting? And like Kevin Pendergast, whose comments you heard when you introduced your bill, he said, if there was not a legal venue, it certainly would have been a lot harder. If there was not a point spread that they could have signaled to me right before the game started, that I knew that that was the point spread we had to hit, it certainly would have been a lot harder. I know Hedake Smith was not quite available to you, but he does believe that this was a good piece of legislation, from my discussion with him.

Senator MCCAIN. Well, I thank you, Mr. Yaeger. And I will continue to read with interest your journalistic efforts. I do not think there is anyone who believes that this is the only solution, but I do believe that for us to do nothing and rely on educational programs is an evasion of our responsibilities.

I also think that Senator Brownback brings in a very important kind of aspect to this, and that is states' rights. Do not states have the right to not have to be subjected to this? I think they do. I think they do.

Go ahead, Mr. Yaeger.

Mr. YAEGER. I am sorry to interrupt you. But if your State Legislature had done, as Mr. Brownback is talking about, and Arizona

state was not on the board, Hedake Smith could not have shaved points.

Senator MCCAIN. I think you are right.

Dr. Winters, did you want to comment?

Dr. WINTERS. Well, he could not have done it through a legal bookie. That does not mean the event could not have happened.

Senator MCCAIN. I want to thank the witnesses. I know the hour grows late. And I know both Senator Bryan and Senator Brownback have questions. I do want to thank you all for being here, and I appreciate your patience. And again, I do believe that this is an important issue, and I thank you for your participation.

Senator Bryan.

Senator BRYAN. Thank you very much, Mr. Chairman.

And I thank each of the distinguished members of the panel for their very thoughtful comments.

Mr. Yaeger, I read the *Sports Illustrated* story on Hedake Smith. That is pretty riveting stuff. I mean it was a real tragedy what happened to that young man, and I do not think anybody who has read that story does not have a lot of empathy for him. But to put this in some context, long before the Nevada sports books were involved, he had been participating in a series of illegal bet transactions and point shavings; is that not correct?

Mr. YAEGER. No, that is not correct. He had played dice in high school, but he had not been betting. He had been betting—if your question is, had he betting with an illegal bookie before he agreed to shave points, yes. But then those bookies were laying off in Vegas.

Senator BRYAN. In other words, he was participating with an illegal bookie before he himself began shaving points.

Mr. YAEGER. Absolutely.

Senator BRYAN. And then, at least, as I read your article, and correct me if I am wrong, even after he began shaving points, there was no involvement with the Las Vegas sports book? This came at a later point after this got much more intense and much more involved, when they were talking about much more money?

Mr. YAEGER. No.

Senator BRYAN. That is not accurate?

Mr. YAEGER. From the very first game of the four games they bet that he arranged to have points shaved on, all four were laid off in Vegas.

Senator BRYAN. Then I misread your article. I think your underlying premise here is you do not think that the line would be posted if indeed it were not legal to bet on college sports in Nevada; was that not your testimony, sir?

Mr. YAEGER. I do not think it would be in *USA Today*.

Senator BRYAN. It would not be in *USA Today*. Would you agree, Mr. Yaeger, that indeed the Internet has hundreds of sites?

Mr. YAEGER. Sure. And I said there was a secondary issue here. I do not think solving one issue without trying to address the other really does much good.

Senator BRYAN. Well, I guess the point I am trying to make is that I completely agree with you on the ban on Internet gambling. In fact, the Chairman's colleague, Senator Kyl and I, have cosponsored the legislation. As I said in my opening statement, it has

passed the Senate. I am hopeful that we can get it passed in this Congress, because it seeks to address this issue through the Internet service provider.

And I do not want to waste my time on the question going into that, but I completely agree with you. But even if we are successful in banning Internet gambling, there is nothing in that legislation—nothing that I am aware of—that would prevent the Internet having, as it does today, what the line is on various college games.

Mr. YAEGER. I think the point I was trying to make is that the advantage of having a legalized gambling capital like Las Vegas, or like Nevada, is that you have a recognized and respected line that people can look at and check in the daily newspaper and make sure, if they are betting illegally, that they are getting a point spread that is not outrageous. I think my point was, if you eliminate that, and it is not out of the newspaper, how does the guy in Cleveland know he is getting the same line that somebody in Dallas is? What does it do to underground gambling? I do think there are many questions there.

Senator BRYAN. But I guess my point, Mr. Yaeger, is that there are 800 and 900 phone numbers where you can get this information. There are Internet sites that would not be—even if we are successful in this legislation, they would still be able to post the line. And the point I am asking you, even if the publishers agreed not to post the line in newspapers—which they may or may not do; we have not had that testimony yet—there would be other sources that these bookies would be able to get the line, and people generally.

Mr. YAEGER. No question. And again, when I was asked to come speak before you, I told the staff that I did not know that there was a single answer, and I do not think there is. And I hope that nothing I said today makes you think that I believe there is.

Senator BRYAN. And my point, Mr. Yaeger—and I am not trying to give you a hard time—I understand that you believe that if this bill is passed, that there will not be newspapers publishing the line. That may or may not be correct; I do not know. But the point I am trying to make is that it is available through the Internet and 800 and 900 numbers. That would not disappear.

Mr. YAEGER. Correct.

Senator BRYAN. One of the things that surprised me is that Dr. Wethington, the University of Kentucky President, speaking on behalf of the NCAA, \$6 billion is that new contract they have entered into, and he said that 94 percent of that money went back to the member institutions. Accepting those numbers, and I am sure that that is probably accurate, that would still leave \$360 million that the NCAA, over the course of this thing, would retain. And yet we are told that they hired three people to address the issue.

You have watched sports; you have written about sports; you are distinguished—how serious has the NCAA been, in your judgment, about the illegal college betting on college campuses?

Mr. YAEGER. I think they are more serious today than ever. I think your points were well taken. I noticed that there was not a lot of jumping up to their defense. And as you know, I have been a critic of the NCAA in the past, Senator Bryan.

Senator BRYAN. I know you have. And we happen to agree with you on that criticism.

Mr. YAEGER. We have been there together.

Senator BRYAN. Yes, we have seen that.

Mr. YAEGER. And so I do think that there are issues there. The NCAA can do more.

Senator BRYAN. Again, because you have followed this so closely. I asked Coach Calhoun about this. But it strikes me that a lot of these young people—not all—come from very modest backgrounds. But I think the reality, if you look at college basketball players and other college athletes, many of them, not all, come from backgrounds in which there is not a whole lot of money. Oftentimes, but not all, they may be single-parent homes, and when they come to college, they do not have anything.

And yet the colleges benefit enormously in terms of publicity and the money from the talents that these young people display. A young person walks down the street, and in a sports store, sees his jersey, and it costs 70 bucks. And he says, I cannot even afford to buy that jersey. To what extent do you think that the way in which the rules currently exist with respect to the limitations on what athletes can earn and that sort of thing, to what extent do you think that creates an environment for temptation for these college athletes?

Mr. YAEGER. I do not think there is any question that that is part of it. And it is not just about gambling; it is about money from agents, as well. I think those are the two major fears that the NCAA and most colleges have, is that the current economic structure of college sports does lead many of those athletes to say, why does Jim Calhoun make \$400,000, for me to wear a pair of shoes that I am not getting paid for?

And, in fact, and this is not new; N.C. state had this issue years ago when Jim Valvano was there, and players said it. Players said, yes, I could not believe the amount of money my coach was making for shoes I was not wearing. Was I going to take money? Sure.

So, yes, I think there is a relationship between those issues. What is the number? What do you pay an athlete that makes him not do it? I do not know. Those are issues for people with a much better education that I got at Ball State.

[Laughter.]

Senator BRYAN. Mr. Yaeger, Mr. Siller offered some suggestions here which I thought were helpful, his three points. Any comment with respect to those three points that he made? Which, as I recall was, in effect, providing more federal money to local law enforcement agencies, working with their state counterparts, to target this illegal bookmaking, and specifically during times of the year.

I think he talked about March Madness; that may not have been his term, but mine. And the various Bowl games, as well. He also talked about the need for intensified education of these young people and colleges in terms of what the risks are involved. And the third thing, I think, that he recommended was the banning of Internet gambling. And I think you have already answered that question.

Mr. YAEGER. Far be it from me to ever argue with an FBI agent while he is sitting this close.

[Laughter.]

Senator BRYAN. He is retired, so you can speak candidly.

Mr. YAEGER. Clearly, issue three, I think you know how I feel about it.

The issue of trying to figure out how to put more federal funds into enforcement of those laws that already exist certainly makes a lot of sense.

But on education, I will tell you, the PSA is wonderful. I have been with enough college athletes that you can run those all day long and, with all due respect to the people who appeared in it, it would not surprise me if one day we are all here to regret the fact that maybe one of those guys did something wrong.

So the truth is that all the education in the world does not help, because the temptations are enormous. The dollar figures are outrageous. And the economics, as you pointed out—hey, I came from a different household than what you are talking about, but I would tell you, I might have been tempted, too, when I was in college. So we have to be real about what is going on in college sports, too. So I do think some of those things are absolutely problems.

Senator BRYAN. Dr. Winters, I will ask this question to you. As you studied this issue, you used the words “socially benign,” I think, with respect to some gambling that occurs. Again, putting this in context, I suppose—and I am not going to ask this question, Mr. Chairman—but I suppose if we asked the question, how many folks in the room today have participated at one time or another in an office pool—and I freely acknowledge that I have for a couple of bucks, 3 or 4 bucks—I suspect that most, not all, would have done so.

And I think what you are telling us is that you do not find that type of gambling, although technically illegal—

Senator MCCAIN. No, not so.

Senator BRYAN. A lot of social gambling going on.

Senator MCCAIN. As long as a pool, that person who runs it, does not take a percentage of that pool, it is legal.

Senator BRYAN. You think it is legal, then?

Dr. WINTERS. Betting on a golf game between two people, a wager, informal, social, that would not be illegal. So a lot of gaming, gambling, betting, is friendship stuff, social, benign, as I have termed it. Some people say in Minnesota, we took a gamble by voting in Jesse Ventura.

[Laughter.]

So there is even political gambling that is part of the lay of the land. And kids do it. It starts early. At the grade school level, you are getting plenty of people saying there is a little bit of this and that. There are the Pokeman cards now which is the latest.

Senator BRYAN. Did any of your research focus on what the colleges themselves are doing to zero in on that hardcore, I think you said 3 to 5 percent, the number that you gave, which may be triple what the adult, non-college counterpart problem gamers, I guess—is that an acceptable term, problem gamblers?

Dr. WINTERS. Problem gamblers.

Senator BRYAN. Problem gambling. What are the colleges doing? I was struck, and Mr. Wethington happened to be our witness today, so I do not want to pick on the University of Kentucky.

Senator MCCAIN. Could I mention to my friend and colleague that Senator Brownback is also waiting.

Senator BRYAN. He has been very patient. This will be my last question.

Senator MCCAIN. Thank you very much.

Senator BRYAN. And that is a yes/no answer.

Senator MCCAIN. I thank you, Senator Bryan. I know this is a very important issue to you.

Senator BRYAN. And I appreciate it, Mr. Chairman.

Do you believe there is not enough being done?

Dr. WINTERS. The radar screen for health problems among colleges places gambling pretty low. You have got alcohol abuse. You have got drug abuse. You have got many other things. It is difficult to get that issue percolating to the top. But I think there are some organizations besides the NCAA—I already mentioned, the Student Personnel Administrators Association—trying to get that moved forward.

Senator BRYAN. I thank you.

And that is my last question. The only point I was trying to make, Mr. Chairman, is here the NCAA comes in, Mr. Wethington, a wonderful institution, the University of Kentucky—no evidence of anybody ever being prosecuted for illegal bookmaking. No evidence of any student being disciplined for participating in this activity. I suggest that that probably represent, across the country, in general, what occurs. And now we are asking for federal legislation. It seems to me that we ought to be looking at our own house first.

And I thank the chairman. And I apologize to my friend and colleague from Kansas.

Senator MCCAIN. I thank you, Senator Bryan. And I know that this is a very important issue to you and your state. And I appreciate that.

Senator Brownback.

Senator BROWNBACK. And I know it is an important issue to you and your state. That is why I came over and talked with you ahead of putting the bill in. Because I think it is an important issue.

I would think, Dr. Winters, we are probably going to be back at a number of these hearings in the future, from what I hear you describe, if we are talking about gambling and its impact across the country. It just keeps growing. And you would anticipate this is going to be ever-increasing, with the trend lines we are on right now, an increasing problem we are going to be facing; is that correct?

Dr. WINTERS. Yes. In fact, there has been enough data to try to look at that. And the trend side looks, unfortunately, on the up, in all populations, including young people. And not only do most states have gambling, if you just start to tally up how much gambling each state has, I think almost every American is within about a 4-hour drive of high-stakes gambling, and not just the lottery down the street. And the high-stakes stuff is what of course gets people in trouble. And then you throw in the Internet mix.

Senator BROWNBACK. So we will be back here probably on another topic, some other time, looking at this I would guess.



Mr. Sandoval, I appreciate your coming and I appreciate, really, your making it in. And, Mr. Yaeger, I appreciate your comments, too.

I just have one line of questioning. Mr. Sandoval, Nevada has the right, as a state, to ban gambling on UNLV; is that correct?

Mr. SANDOVAL. There is a gaming regulation, yes, Senator.

Senator BROWNBAC. And in Nevada, the State of Nevada has that right?

Mr. SANDOVAL. The current regulation reads that it prohibits betting on University of Nevada, Reno, and University of Nevada, Las Vegas, sports.

Senator BROWNBAC. And Nevada has that right?

Mr. SANDOVAL. Yes.

Senator BROWNBAC. Could you take me through the steps of what Kansas needs to do to get our colleges off of the legal sports book in Nevada? Take me through the steps of what we need to do to get the University of Kansas, Kansas State University, and others off the legal sports book in Nevada.

Mr. SANDOVAL. The only process that I am aware of, Senator, is there is what is called the Gaming Policy Committee in the State of Nevada, which is chaired by the Governor of the State of Nevada, which has the Chairman of the Gaming Commission, the Chairman of the Gaming Control Board, a member of the state Senate, a member of the State Assembly, two members of the public, and a member of an Indian tribe. And that is essentially what I would see the vehicle to discuss this issue.

I guess, as an afterthought, I heard you state at the first part of the meeting that this regulation that we are referring to is for the protection of the Nevada schools. We do not see it that way. We see it as a protection for the integrity of the sporting events.

Senator BROWNBAC. That is what this bill is about, the integrity of the sporting events. So if we petitioned that group, we have the possibility we can be taken off of the legal sports book in Nevada? What do we have to do, do we have to get a majority vote of that group? My state does not have the right. You possess it in Nevada. Those are all Nevada citizens, I understand, that you listed.

Mr. SANDOVAL. Yes.

Senator BROWNBAC. But a majority vote of that group?

Mr. SANDOVAL. Well, Senator, it is an unprecedented question. What I can assure you is that I would return to the state and speak with Governor Guinn on that issue. And I am sure there is a procedure to do that. But I think that is the proper forum to discuss the very issue that you brought up.

Senator BROWNBAC. But a majority vote of the list you gave could get the University of Kansas off the legal sports book in Nevada?

Mr. SANDOVAL. That would be my assumption as well. I can tell you as a certainty today that that committee, if brought together, sets policy for the gaming industry in the State of Nevada.

Senator BROWNBAC. Now, you are a member of that committee?

Mr. SANDOVAL. I am.

Senator BROWNBAC. Would you vote for removal of the University of Kansas from the legal sports book in Nevada?

Mr. SANDOVAL. I would not. And the reason for that is, as I said before, I see what we do in the State of Nevada as a protection for the integrity of the college game, to assure that there are no improprieties in that game. And I think we assist in that goal.

Senator BROWNBAC. But you also mentioned earlier, I think, that you were concerned about the perception for Nevada gaming on Nevada schools. Is that correct? I believe that was the term you used. You were dealing with the perception problem.

Mr. SANDOVAL. Thank you, Senator. The perception I am referring to is that out-of-state bettors may perceive that in-state bettors, because of their proximity to Nevada athletes, may have an advantage in betting on the local teams.

Senator BROWNBAC. Well, we believe we have a perception problem, that there is a perception that there are more and more problems with college athletics, more and more impact of money, more and more impact in gambling. And we would like to deal with the perception. If you do not believe that it is truly a problem or that it is not unseemly to bet on college athletes, we would like to deal with the perception. And we seek a vehicle to deal with that.

You can provide us one through that means, although I think that is pretty flawed. It still is all Nevadans determining the impact on Kansas and on a Kansas school. I would certainly hope that you would give extra weight to the desire of the state that you are impacting and the schools and the institutions, which we put in millions of dollars a year to our colleges, and we are proud to do so, happy to do so, but sports is still that front window through which much of it is viewed. That is the gateway of viewership that it is seen. And you are having an impact on the perception here.

I would really hope that that group would meet and would provide a means, a legitimate means, not too difficult or offensive, that a school could petition. That the Board of Regents of Arizona State University could petition Nevada, and that they would give extra weight to the desires of the legal body governing that school to remove themselves from the legal sports book in Nevada.

Mr. Siller, will you sit on this body, as well?

Mr. SILLER. I do not sit on that body.

Senator BROWNBAC. May I finish and get an answer from Mr. Sandoval. I hope you will do that for us.

Mr. SANDOVAL. You have my commitment, Senator, that I will go back to the State of Nevada and speak with Governor Guinn about this issue. I will do that immediately upon my return.

Senator BROWNBAC. Because we may have a way that we can start to deal with some of these perception problems here, if you will provide us that means, flawed as it is.

Mr. Siller?

Mr. SILLER. My comment, Senator, if I may, just to support my suggestions of zero tolerance to illegal bookmaking. I would venture to say that—and I am taking an educated guess here—is somewhere in the 90 percentile of all the bets in Kansas on college wagering of sporting events are done by Kansans. And in Nevada, it is just the same there. And I am not going to say there is not the possibility that there could not be any link between the two.

Senator BROWNBAC. Are any of the bets laid off in Vegas?

Mr. SILLER. Or bets laid off.

Senator BROWNBACK. My Yaeger was testified to that.

Mr. SILLER. I am saying that there is an extensive effort to identify that. And I can tell you, as the board member in charge of enforcement, that is a very high priority. And I think that is where my experience, what I bring to that Board, a high experience in identifying that. And I personally made connections with my former agencies, with the United States Attorney's Office, and other venues.

Senator MCCAIN. Well, have you identified any of them?

Mr. SILLER. Senator, I have only been on the Board a year. And some of these investigations are ongoing. And I would love to talk about them—

Senator MCCAIN. Well, I would think that, as important as your presence is, it has been going on for many years. And we know that it has been going on. Everybody knows it. And yet, so far, it has not been identified by either you or Mr. Sandoval's organization. And that is not comforting.

Mr. SILLER. Senator, I am probably not sure on what you mean by "identifying."

Senator MCCAIN. Well, has there been any charges brought against people who were laying off bets in Las Vegas?

Mr. SILLER. There have been investigations. There has been coordination with other—

Senator MCCAIN. Have there been any charges brought?

Mr. SILLER. Yes, there have.

Senator MCCAIN. There have been charges brought?

Mr. SILLER. I would think that the Arizona case would be a classic example of that, where it was Nevada who identified the problem.

Senator MCCAIN. It was Nevada that identified the problem?

Mr. SILLER. It was.

Senator MCCAIN. That is not according to Mr. Yaeger's testimony, Mr. Siller.

Mr. SILLER. If we are talking about the same case, and this is the point shaving—

Mr. YAEGER. Nevada identified the problem. It was because of a separate case.

Senator MCCAIN. I was going to say, it may have identified the problem, Mr. Siller, but nothing was done.

Mr. SILLER. Nevada gaming identified the problem, reported that violation to the Nevada Gaming and Control Board and to the FBI. And as a result of that, that was the predicate to initiating an investigation that eventually led to the conviction of several individuals.

Senator MCCAIN. In all due respect, what led to the conviction was the arrest of one of his accomplices on a separate offense that had nothing to do with your investigation or anybody else's. The guy decided to come clean by turning in Mr. Smith. That is the facts of the case. Is that not right, Mr. Yaeger?

Mr. YAEGER. That is correct.

Senator MCCAIN. So it has really nothing to do with what you or Mr. Sandoval's organization did. It had to do with a random arrest, where the guy was willing to turn in his friend. My point is that you have not really done anything, and the problem is well-

known. And you have been there a year. And the Commission has been in there for many years. And nothing has been done. That is my point.

Mr. SILLER. And I respect that. May I continue?

Senator MCCAIN. Yes, please.

Mr. SILLER. I would be interested to know how many cases or violations that are being investigated or charges within various states are on illegal bookmaking operations. And I do not say that to challenge anyone, I say that to support my position that the heart of this issue is illegal bookmakers. And I think that each state should look at its current laws, its current priorities, to addressing crime, and it self-evaluate what have I done, how many convictions do I have. In the case of Kansas City, all of the municipalities, how important is it to and where is the priority as far as enforcement to addressing illegal bookmaking operations?

And if you were to emphasize or create a zero tolerance toward illegal bookmaking operations within the individual states, you would be making a statement of zero tolerance, eliminating the perception, ensuring that we all are concerned about it.

Senator BROWNBACK. And I have no problem with doing that.

Senator MCCAIN. Can I just say that I think your point is very well made. I thank you.

Senator BROWNBACK. Yes, I think the point is well made, and I agree. But I would hope you would also see the rest of this problem, which either you seem to either be blind to or not willing to particularly look at or consider. We all have quite a bit at stake here of what is taking place. And I would hope the Nevada Gaming Board would step up and work with the colleges, that we would try to find some solutions that are acceptable to them.

You make good money off of these college sporting events. It is not big, apparently, from what you are saying of the numbers. It is not a significant amount of money that is bet on college sports relative to the entire industry. It is really insignificant. You have got the group feeling like they have got a clear problem with it. And the response back is to attack the NCAA and say they are not doing enough. And I think they agree and are saying, we are going to have to step up and do more. But it is not a response on your part to say, well, maybe we can do something, as well, in dealing with this.

And Nevada is clearly the center of gravity of the gambling industry in the country. It needs to step up. And I would hope to start working with people on these issues. Or, as Dr. Winters is saying, we are going to be back more and more. And there are other things, like Internet gambling. I agree that we need to deal with that, as well.

You have not said much of anything that I disagree with in your proposals. I happen to think, along with Mr. Yaeger, that even if you put a lot of PSA's on, I am not sure it is really going to change that much in attitudes. But we are trying to reach out here and say, let us get something moving forward. And I would really hope that, instead of just being very defensive and attacking the NCAA, that we would say, OK, here is what we can do, here is an avenue we will provide you in North Carolina, in Indiana, Kansas, Ari-

zona, to deal with what we do not think is a problem but you think it is a perception. We will handle it.

Mr. Chairman, thanks for a great hearing. And I want to thank the panelists for being subject to our inquiry. It is not a pleasant day to be subject to a Senate panel. It is probably easier going to a dentist.

[Laughter.]

Senator MCCAIN. Senator Bryan would like to have the next and final word. And Mr. Yaeger needs to go.

Senator BRYAN. Please, go right ahead. Thank you very much, gentlemen for being here.

Mr. Chairman, I think it is a very fair and a balanced hearing. I was struck by my friend from Kansas and his exposition of states' rights. And I have a proposition to lay off on him, if I may, to use a metaphor that has been cast about here a good bit. His state wishes to send high-level nuclear waste to Nevada.

[Laughter.]

We oppose that. Would he be willing to consider a petition from our state, asking his state to forebear in sending this lethal product to our state?

Senator MCCAIN. May I say the Senator from Nevada strikes a telling blow.

[Laughter.]

Senator BROWNBACK. I will consider it as much as it looks like I am going to get considered on mine.

[Laughter.]

Senator MCCAIN. Dr. Winters, thank you for your very insightful testimony.

Mr. Sandoval and Mr. Siller, I want to just say that I appreciate what you do. I have the greatest respect and regard for you both. I hope that we can work together to work through what is clearly a problem. And I thank you for taking your time to be here, especially you, Mr. Siller. I know that you had one of the more interesting trips.

Mr. Sandoval, thank you for all that you do. And I appreciate the back-and-forth in these hearings. I think it is very important that we have spirited exchanges. Because, that way, I think we can get more information out of these hearings. And I hope that you are not reluctant to fire right back at a anybody who fires at you.

I thank you all very much.

[Whereupon, at 12:55 p.m., the hearing was adjourned.]



## APPENDIX

PREPARED STATEMENT OF JAMES C. DOBSON, PH.D., MEMBER, NATIONAL GAMBLING  
IMPACT STUDY COMMISSION, PRESIDENT, FOCUS ON THE FAMILY

Gambling poses a grave threat to the integrity of college sports, the welfare and well-being of the student-athletes involved, and the reputation and credibility of our academic institutions. That is why I and fellow members of the National Gambling Impact Study Commission recommended a complete prohibition on gambling on collegiate and amateur athletic contests.

Our recommendation came in response to the unprecedented rash of college sports betting scandals in recent years, involving athletes from some of our nation's most prestigious institutions. In addition, our Commission found an epidemic of sports gambling on college campuses, as well as an alarming rate of gambling addiction among college students.

Gambling proponents attempt to tell us that there is no link between legal and illegal gambling on college sports, that the problem lies entirely with illegal betting. They are wrong. The two are inextricably intertwined. The legalization of this type of gambling in Nevada conveys a false sense of legality to persons—especially youth—across the nation. In addition, most major newspapers publish the point spreads issued by Nevada casinos, further heightening both the sense of legitimacy and the interest in college sports gambling nationwide.

Some of the recent collegiate betting scandals have directly involved gambling at legal operations in Nevada. The former Notre Dame University place kicker involved in the Northwestern basketball betting scandal stated flatly, "Without the option of betting money in Nevada, the Northwestern basketball point-shaving scandal would not have occurred."

Those whose job it is to protect the student-athletes fully recognize the threat posed by legal gambling on college sports. That is why more than 60 of the most recognized football and basketball coaches in the National Collegiate Athletic Association support this ban.

Even the gambling regulators in Nevada understand the dangers of allowing gambling on college athletics, which is why they have wisely prohibited betting on games involving institutions from that state. Yet they are unwilling to extend those same vital protections to college student-athletes from the other 49 states.

Unless Congress acts to amend this loophole in the law, more scandals are almost certain to follow. Indeed, the incidents that have come to our attention may only represent the tip of the iceberg. A 1999 University of Michigan survey of male college athletes revealed that 5 percent had either gambled on a game in which they played, provided inside information for gambling purposes, or accepted money for performing poorly in a game. These statistics, if accurate, mean that the performance of four or five players on every Division I college football team in America may be susceptible to gambling influences.

There is only one reason to allow this exploitation to continue. That is so that Nevada casino operators can continue to line their pockets with the estimated \$800 million legally gambled on college sporting events each year. That is hardly sufficient reason to continue to jeopardize the future of thousands of our most promising young people.

No one is naive enough to suggest that this proposal would eliminate all gambling on college sports. But it represents the most important first step that can be taken to significantly reduce this scourge that threatens so many institutions and careers.

I applaud this Committee's willingness to tackle this politically charged issue. I urge each member of this Committee, and the rest of your colleagues in Congress, to place the welfare of college student-athletes, the integrity of collegiate sports, and the reputation of our academic institutions ahead of the financial interests of a handful of casino operators.

This is a tremendous opportunity for Congress to demonstrate its willingness to stand for principle in the face of the full-court press being applied by powerful gambling industry lobbyists. Passage of this legislation would be a major step in increas-

ing the faith of American citizens in this body of government. I would be pleased to use the reach of my daily radio broadcast to inform our constituents about such courageous efforts.

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KAY COLES JAMES,  
Norfolk, VA, March 28, 2000.

Hon. JOHN MCCAIN,  
Chairman,  
Committee on Commerce, Science, and Technology,  
United States Senate,  
Washington, DC.

Dear Chairman McCain:

Thank you for the invitation to testify before the Senate Commerce, Science, and Transportation Committee on Wednesday, regarding sports gambling. I regret that previous commitments prevent me from being with you in person, but hope that you will include my comments in your deliberations.

As you know, I was privileged to serve as the Chairman of the National Gambling Impact Study Commission, a nine-member bipartisan body created by Congress to “conduct a comprehensive examination of the social and economic impacts of gambling on communities, businesses and individuals.” Over a two-year period, the eight Commissioners and I heard hundreds of hours of testimony, traveled across the country to see the impacts and practices of gambling firsthand, and spoke to thousands of individuals whose lives have been impacted by gambling. In addition, we commissioned our own research and reviewed numerous other studies and articles.

The subject of sport wagering was discussed during a site visit to Las Vegas, Nevada on November 10–11, 1998, as well as during subcommittee meetings later in the Commission’s work. Our final report—which was approved unanimously by the nine commissioners—was submitted on June 18, 1999. In the chapter on Gambling Regulation, the Commission recommended that “*the betting on collegiate and amateur athletic events that is currently legal be banned altogether.*”

I applaud the efforts of Senators Brownback and Leahy and yourself, as well as those of Representative Lindsay Graham in the House, for responding to the Commission’s recommendation and for your efforts to address this important issue.

There are those who argue that gambling is an activity that has historically had both benefits and costs associated with it. One of the most difficult tasks confronting the Commission was trying to develop a method by which the social costs and benefits and the economic costs and benefits could first be credibly ascertained and then weighed against one another to determine the overall net impact of gambling. This is, after all, the difficult task facing policy-makers considering the expansion or limitation of gambling in their communities.

For instance, the Commission witnessed the economic benefits brought to a community by the development of certain destination resort casinos. Less evident but certainly present were the social costs and benefits associated with an increased level of gambling. In other states, the net economic costs and the net social costs of an activity like video poker were quite evident.

Regarding sports wagering, the Commission found that:

Because sports wagering is illegal in most states, it does not provide many of the positive impacts of other forms of gambling. In particular, sports wagering does not contribute to local economies or produce many jobs. Unlike casinos or other destination resorts, sports wagering does not create other economic sectors.

However, sports wagering does have social costs. Sports wagering threatens the integrity of sports, it puts student athletes in a vulnerable position, it can serve as gateway behavior for adolescent gamblers, and it can devastate individuals and careers.

NGISC Report, 3–10

Some of the data that most concerned us as a Commission regarded the attitudes and involvement of young people with gambling. It is important to remember that for minors, gambling is always illegal. But, more importantly, the overwhelming societal exposure to gambling for today’s young people creates dangerous opportunities for abuse and pathological behavior.

When interjected into the ideal of amateur athletics, gambling creates potential abuses involving point-shaving, illegal behavior and lasting damage to institutions and individuals and the destruction of potential professional careers. In an ironic



twist, the State of Nevada prohibits betting on its own teams to protect any potential abuse and illegal behavior at its colleges.

The National Collegiate Athletic Association has long recognized the danger of this exception. Along with universities across the country, they have done an admirable job in attempting to combat sports betting at the college level. The Las Vegas loophole, however, undermines the message of the integrity of amateur sports and responsible, adult behavior.

*Closing this loophole represents a common sense and reasonable step and I commend your efforts to do so.*

I would be pleased to provide you with any additional information you might need or answer any questions.

Thank you.  
Sincerely,

KAY C. JAMES

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JOINT PREPARED STATEMENT BY NATIONAL GAMBLING IMPACT STUDY COMMISSION  
MEMBERS RICHARD C. LEONE, PRESIDENT, THE CENTURY FOUNDATION AND LEO T.  
MCCARTHY, PRESIDENT, THE DANIEL GROUP

We thank you, Senators Leahy and Brownback and other colleagues who join you in proposing to ban legal gambling on high school, collegiate or Olympic competitive athletic events.

Four years ago, with Public Law 104-169, Congress created the National Gambling Impact Study Commission and mandated its nine appointees, including us, to analyze the social and economic impacts of legal gambling in America. After receiving over 140 hours of testimony and initiating independent research on adult and juvenile gambling in America, we sent you our 76 recommendations on June 20, 1999. These recommendations address findings in six areas: regulation of gambling; problem and pathological gambling; Native American gambling; technology and the future of gambling; gambling's impact on people and places; and future research needs.

One of those recommendations was to do specifically what you now propose in this bill. Recommendation number 7 clearly states: "The Commission recommends that betting on collegiate and amateur athletic events that is currently legal be banned altogether."

The Commission's majority vote was based on at least four convictions:

First, that juvenile problem and pathological gambling in our country has increased to an alarming level. A meta-analysis completed by the Harvard Medical School Division of Addictions estimated in 1997 that there were 7.9 million juvenile gamblers who were problem or pathological.

Second, that betting on collegiate sports events by our youth was a significant contributing factor to that population, with bookies available on hundreds of college and university campuses in the nation.

Third, the ideals of amateur and collegiate sports are undermined by a federal law that sanctioned bets on these events that originate throughout the nation, yet are received and placed only in Nevada.

Fourth, that legal sports betting and the publishing of point spreads in many mainstream news publications set a dangerous precedent—in fact, act as a springboard to further propel the enormous illegal sports gaming industry in this country.

Sports betting is legitimized by those who seek to profit from public interest in betting and by those who consider it a harmless pastime. But, what is a harmless "vice" for some is a life-altering catastrophe for many others. Moreover, the corrosive impact on sports is only hinted at by the occasional story of ruined athletes and ruined lives that comes to light. It is one of the worst aspects of the spreading culture of gambling in this country. Betting on school games—at whatever level—is one place, at least, where people of good will should be able to draw the line. It is no coincidence, for example, that even Nevada prohibits bets on games between schools in their state.

The Commission majority weighed the aspirations we have for children and the efforts of parents and school officials who seek to inculcate strong character traits and self-respect in millions of young Americans against the \$2.3 billion in profits for Nevada casinos. And our decision was easy.

It was easy then and it is easy now. College sports coaches rarely take public positions on legislation such as this. The fact that dozens of the best known coaches of this nation are asking Congress to ban betting on amateur and collegiate sports competition is a profound statement—one deserving of not only our ears, but our action.

We join them today in respectfully asking the members of this Committee and the entire Congress to protect what has been one of the strongest examples of American idealism—amateur and collegiate sports.

NATIONAL FOOTBALL LEAGUE,  
New York, NY, April 10, 2000.

Hon. JOHN MCCAIN,  
Chairman,  
Committee on Commerce, Science, and Transportation,  
Washington, DC.

Dear Senator McCain:

I write on behalf of the National Football League to comment on S. 2340, the “Amateur Sports Integrity Act.” We understand that the Commerce Committee will shortly move to mark up S. 2340, and respectfully request that this submission be incorporated into the hearing record. Specifically, we write to urge in the strongest possible terms that Title II of the bill be expanded to prohibit gambling not only on amateur sports, but on professional sports as well. Congress has not previously distinguished between gambling on amateur and professional games, and Congress should not do so now.

Title II would add a new section to the Ted Stevens Olympic and Amateur Sports Act (36 U.S.C. 220501 et seq.) to prohibit gambling on amateur athletic games. The Professional and Amateur Sports Protection Act of 1992 (28 U.S.C. 3701–3704) (“PASPA”) generally prohibited the states from legalizing gambling on professional and amateur sports, but it also grandfathered certain gambling that was authorized by state law at the time of enactment. The effect of Title II of S. 2340 would be to repeal this grandfather provision so far as gambling on amateur athletic games is concerned, and to prohibit gambling on amateur games as a matter of federal law. But Title II does not prohibit gambling on professional games and instead allows such gambling to continue to the extent grandfathered by PASPA. We respectfully disagree with the narrow scope of Title II.

The National Football League strongly supported enactment of PASPA in 1992. As Commissioner Tagliabue testified at the time, “we do not want our games used as bait to sell gambling. Sports gambling should not be used as a cure for the sagging fortunes of Atlantic City casinos or to boost public interest in state lotteries. We should not gamble with our children’s heroes.” In his testimony, Commissioner Tagliabue documented the efforts taken by the League to prevent sports gambling or involvement with sports gambling by club owners, players, and anyone else connected with our games. These efforts continue. Moreover, the League currently supports, and is promoting the passage of, S. 692, the Internet Gambling Prohibition Act of 1999, sponsored by Senator Kyl, which would end the plague of Internet sports gambling that seeks to evade the prohibitions of PASPA and the Wire Act. Copies of our testimony in support of PASPA and S. 692 are enclosed.

During the floor debate on PASPA, Senator Bradley spoke eloquently of the harms gambling inflicts on sports. Tellingly, he invoked his experiences as a professional player as well as invoking the college sports scandals of his younger days:

“Mr. President, where sports gambling occurs, I think fans cannot help but wonder if a missed free throw, or a dropped flyball, or a missed extra point was part of a player’s scheme to fix the game. If sports betting spreads, more and more fans will question every coaching decision and every official’s call. All of this puts undue pressure on players, coaches, and officials . . . [If sports gambling is legalized,] [s]ports would become the gamblers’ game and not the fans’ game, and athletes would become roulette chips. . . .

“I remember one game in Madison Square Garden. Toward the end of the game, one of my teammates happened to throw the ball up. We were ahead 6 or 8 points, I forget which. He threw the ball up at the other end of the court and the ball went in the basket. The next week the press speculated about whether it was timed to beat the line on the game. . . . Earlier in my life, when I was in high school and college, there were major sports scandals. Sports-fixing scandals. But the state came in and said this is wrong, and vigorously prosecuted.”  
138 Cong. Rec. 12989–90 (1992).

When Congress enacted PASPA, it made the judgment that the prohibition should not be applied retroactively to sports gambling operations that were already permitted by, and conducted pursuant to, state law. See S. Rep. No. 248, 102d Cong., 1st Sess. 8, 9–10 (1991). As the Judiciary Committee emphasized, however, “all such

sports gambling is harmful.” *Id.* at 8. The decision to grandfather certain sports gambling from the prohibitions of the bill was based on other considerations. The League accepted that judgment at the time with great reluctance. As Commissioner Tagliabue stated:

“We have made it clear that we would support legislation that prohibited any and all forms of gambling. We also recognize that we live in a country, a great one, which operates by consensus, and that in order to take a step forward, we have to accept this form of legislation which contains a very narrow grandfather provision.”<sup>1</sup>

If Congress is prepared to reconsider the judgment it made in 1992, that existing legal sports gambling should not be prohibited, there is no justification—moral, legal, or otherwise—for limiting such reconsideration to gambling on amateur sports. The harms that sports gambling inflicts, as detailed in the enclosed League testimony, impact professional sports no less than amateur sports. The harms it inflicts are just as real, and the cost to the integrity and reputation of our games, and to our values as a nation, are just as great. If anything, the harms inflicted on professional sports by gambling may be even greater than the harms inflicted on amateur sports because gambling on our games is more widespread.

We have been fortunate during the last eight years that the NFL has not been scarred by the type of gambling scandals that have occurred in college sports. We have worked hard to educate and counsel our players, coaches and game officials regarding the dangers of sports gambling, and to take security measures to protect our employees from gambling influences. The NFL and other professional sports leagues should not now be denied the benefits of legislative action simply because we cannot point to any gambling incidents but college sports can. The ill effects of gambling apply equally to both college and pro sports.

For all of these reasons, if Congress is now prepared to revisit the judgment it made in 1992, the NFL strongly urges that Title II be amended to extend its prohibition (and its repeal of PASPA’s grandfather provision) to include gambling on professional sports.

Sincerely,

JEFFREY PASH,  
*Executive Vice President.*

Attachment 1

STATEMENT OF PAUL TAGLIABUE, COMMISSIONER, NATIONAL FOOTBALL LEAGUE  
BEFORE THE SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS,  
SENATE JUDICIARY COMMITTEE

June 26, 1991

Mr. Chairman and distinguished members of the Subcommittee. I am pleased to appear before you today to urge in the strongest possible terms your adoption of the Professional and Amateur Sports Protection Act (S. 474).

This important legislation builds on bills passed last year by the House and the Senate—though not by both—to prevent the spread of sports gambling. Like last year’s bills, S. 474 would prohibit the states from establishing sports lotteries. Going beyond those bills, S. 474 would prohibit any other form of sports gambling authorized by state law based on professional or amateur games.

Mr. Chairman, we do not want our games used as bait to sell gambling. Sports gambling should not be used as a cure for the sagging fortunes of Atlantic City casinos or to boost public interest in state lotteries. We should not gamble with our children’s heroes.

As I mentioned in my testimony before this Subcommittee last summer, I have been privileged to serve the National Football League for more than 20 years—first as outside counsel and now as Commissioner. In all this time, the League has vigorously protected its reputation for integrity and the wholesome character of its games.

As the late Senator Kenneth B. Keating of New York said nearly 30 years ago in introducing the legislation codified in Title 18 that makes it a federal crime to fix or attempt to fix sporting contests:

<sup>1</sup>Prohibiting State-Sanctioned Sports Gambling: Hearing on S. 473 and S. 474 before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the Judiciary, 102d Cong., 1st Sess. 64 (1991).

“Thousands of Americans earn a legitimate livelihood in professional sports. Tens of thousands of others participate in college sports as part of the physical fitness and character building programs of their schools. Tens of millions of Americans find sports a favorite form of recreation. We must do everything we can to keep sports clean so that the fans, and especially young people, can continue to have complete confidence in the honesty of the players and the contests. Scandals in the sporting world are big news and can have a devastating effect on the outlook of our youth to whom sports figures are heroes and idols.” 109 Cong. Rec. 2,016 (1963).

Thus, we strictly prohibit NFL club owners, coaches, players and anyone else connected with the NFL from gambling on NFL games or associating with persons involved in gambling. Anyone who does so faces severe disciplinary action by the Commissioner, up to lifetime suspension. Our League’s Constitution also prohibits any NFL involvement with state lotteries. Our clubs cannot accept advertising revenue from lotteries, and coaches and players cannot appear in lottery ads or promotional events. We have advised the television networks that neither gambling-related commercials nor the dissemination of point-spread information are acceptable on NFL game broadcasts.

Legalized sports gambling threatens all that we have worked for in this respect—and more. We oppose the spread of legalized sports gambling for four basic reasons.

First, sports gambling threatens the character of team sports. Our games embody our very finest traditions and values. They stand for clean, healthy competition. They stand for teamwork. And they stand for success through preparation and honest effort. With legalized sports gambling, our games instead will come to represent the fast buck, the quick fix, the desire to get something for nothing. The spread of legalized sports gambling would change forever—and for the worse—what our games stand for and the way they are perceived.

Second, sports gambling threatens the integrity of, and public confidence in, team sports. Sports lotteries inevitably foster a climate of suspicion about controversial plays and intensify cynicism with respect to player performances, coaching decisions, officiating calls and game results. Cynical or disappointed fans would come to assume “the fix was in” whenever the team they bet on failed to beat the point spread. And legalized sports gambling involving head-to-head betting threatens more than just public confidence in the integrity of our games. Its proliferation would appear to athletes to give official sanction to sports gambling and could threaten actual corruption of the games by undermining the ability of professional and amateur sports organizations to police themselves.

Third, legalized sports gambling sends a terrible message to youth. Sports are very important to millions of our young people. Youth look up to athletes. Our players cannot be expected to serve as healthy role models for youth if they are made to function as participants in gambling enterprises. Legalized sports gambling also sends a regrettable message to our young people about government—that “anything goes” when it comes to raising revenues or bolstering local economies, and that we might as well legalize, sponsor and promote any activity so that the state can get its “cut.” This is a message we can ill afford to send.

Finally—and perhaps worst of all—legalized sports gambling would promote gambling among young people. Dr. Valerie Lorenz of the National Center for Pathological Gambling recently told *Time* (Feb. 25) that the rise in teenage gambling is linked to the spread of state lotteries generally: “The message they’re conveying is that gambling is not a vice but a normal form of entertainment.” That negative message would certainly be sent by a state lottery based on team sports. And, as Dr. Lorenz has written, a sports lottery “not only teaches youngsters how to bet on football pools, but also encourages them to do so.”<sup>1</sup> What is true in this regard for sports lotteries would be even truer for casino-style sports gambling.<sup>2</sup>

<sup>1</sup> Lorenz, “State Lotteries and Compulsive Gambling,” *Journal of Gambling Studies*, vol. 6, p. 392–93 (1990).

<sup>2</sup> For the reasons discussed by Professor Arthur R. Miller of the Harvard Law School in his testimony last summer, state-sponsored sports betting also misappropriates the goodwill and popularity of professional sports and amateur sports organizations and dilutes and tarnishes the service marks of such organizations. See *Legislation Prohibiting Sports Lotteries from Misappropriating Professional Sports Service Marks: Hearing on S. 1772 before the Subcomm. on Patents, Copyrights and Trademarks of the Senate Comm. on the the Judiciary*, 101st Cong., 2d Sess. 251 (1990). It bears repeating that the NFL has no desire to license or conduct our own gambling operations. In any event, S. 474 would invalidate any state law that purportedly authorized us to conduct such operations.

Mr. Chairman, no one opposes your legislation on the ground that sports gambling is socially beneficial and should be encouraged. The principal argument advanced in opposition to the legislation is that federal action in this area is inappropriate and that the states should be left to decide for themselves whether to sponsor or allow sports gambling. Whatever superficial appeal it may have, this federalism argument is without substance.

Team sports are a national pastime. Sports gambling is a national problem and demands a national solution. The harms it inflicts are felt beyond the borders of those states that sanction it. The moral erosion it produces cannot be limited geographically. Once a state legalizes sports gambling, it will be extremely difficult for other states to resist the lure. The current pressures in such places as California and New Jersey to institute casino-style sports gambling illustrate the point. Since Oregon instituted its sports lottery two years ago, proposals for similar lotteries have surfaced in a number of other states.

We are not unsympathetic to the fiscal concerns that have motivated sports lottery and casino-style sports gambling proposals in some places. But those concerns cannot justify the great long-range harm to our sport and others such proposals would entail—and to a generation of young people whose attitudes toward team sports would be distorted and diminished by perpetuating a gambling-oriented outlook. Nor should Congress be misled by claims that legalization of sports gambling would reduce illegal sports gambling in a state. According to the Director of New Jersey's Division of Gaming Enforcement, "most law enforcement professionals agree that legalization has a negligible impact on, and in some ways enhances, illegal markets."<sup>3</sup> Illegal entrepreneurs can always "outmarket" their legitimate counterparts, offering better odds and, most important, tax-free winnings.

S. 474 breaks no new philosophical ground. It presents no new issue of state prerogatives. Congress has previously recognized on several occasions that gambling has no place in sports, professional or amateur. Title 18 of the United States Code contains a specific federal policy against state sports gambling. When Congress acted in 1974 to exempt state lotteries from the prohibitions of the federal lottery and gambling laws generally, it specified that those prohibitions would continue to apply to state *sports* lotteries—*i.e.*, lotteries that involve "the placing or accepting of bets or wagers on sporting events or contests." 18 U.S.C. § 1307(d). As the House Judiciary Committee explained, the exemptions of Sec. 1307 were not intended to apply indiscriminately to all "gambling activities conducted by [a] state." H.R. Rep. No. 1517, 93d Cong., 2d Sess. 6–7 (1974).

Beyond the federal lottery and gambling laws, Congress has legislated to protect the integrity of professional sports contests. In 1964, Congress made it a federal crime under Title 18 to influence or attempt to influence by bribery any sporting contest. 18 U.S.C. § 224. The offense is punishable by a fine of up to \$10,000 or imprisonment of up to five years, or both. This is not merely an "assimilative offense"—conduct that is criminal under federal law because it is criminal under state law. Congress has recognized a distinct *federal* interest in protecting sports from corruption. The House Judiciary Committee called such corruption "a challenge to an important aspect of American life—honestly competitive sports."<sup>4</sup>

In addition, Congress and the courts have recognized the need for uniform national rules in dealing with professional and intercollegiate sports. Congress, for example, has enacted legislation that, among other things, limits the extent to which the NFL can televise games in conflict with high school and college sporting events. 15 U.S.C. §§ 1291–1294. And numerous courts have held that it is inappropriate to apply varying state laws and regulations to the nationwide business of professional sports. *See, e.g., Flood v. Kuhn*, 407 U.S. 258, 284–85 (1972); *Partee v. San Diego Chargers*, 34 Cal. 3d 378 (1983). This same interest in national uniformity supports congressional action with respect to the current issue.

The alternatives to congressional action are unattractive and uncertain—and there is no reason why professional or amateur sports organizations should be forced to resort to them in view of the federal and nationwide interests at stake here and the interstate character of the affected sports organizations.

Congress cannot afford to delay dealing with the problem of state-sanctioned sports gambling. At the moment, the problem is basically confined to Oregon and Nevada. If any significant number of other states should follow their example, it will be far more difficult for Congress to remedy the problem.

<sup>3</sup>Anthony J. Parillo, *Proposal To Consolidate All Legalized Gaming Enforcement Functions within a Single Agency of the Department of Law & Safety*, June 20, 1988, p. 188.

<sup>4</sup>H.R. Rep. No. 1053, 88th Cong., 1st Sess. 2 (1963) (also noting federal interest in ensuring the integrity of sporting contests even where states decline to act); S. Rep. No. 593, 88th Cong., 1st Sess. 3–4 (1963) (same).

The NFL applauds you, Mr. Chairman, and Senators Hatch, Bradley, Specter and the other co-sponsors of this bill, for assuming leadership in Congress on this issue of great public importance. We hope that S. 474 will proceed promptly to markup and be sent to the floor for an early vote.

I would be glad to answer any questions.

Attachment 2

STATEMENT OF JEFF PASH, EXECUTIVE VICE PRESIDENT, NATIONAL FOOTBALL LEAGUE  
BEFORE THE SUBCOMMITTEE ON TECHNOLOGY, TERRORISM AND GOVERNMENT  
INFORMATION, SENATE COMMITTEE ON THE JUDICIARY

March 23, 1999

Mr. Chairman and members of the Subcommittee. My name is Jeff Pash. I am the Executive Vice-President and General Counsel of the National Football League. I appreciate the opportunity appear before you today to express the NFL's strong support for the Internet Gambling Prohibition Act of 1999. We strongly support this bill because it would strengthen and extend existing prohibitions on gambling, including gambling on sports events, and provide enhanced enforcement tools tailored to the unique issues presented by Internet gambling. We join the State Attorneys General who testified earlier and other sports leagues in urging adoption of this important legislation.

Simply put, gambling and sports do not mix. Sports gambling threatens the integrity of our games and all the values our games represent—especially to young people. For this reason, the NFL has established strict policies relative to gambling in general and sports betting in particular. The League prohibits NFL club owners, coaches, players and anyone else connected with the NFL from gambling on NFL games or associating in any way with persons involved in gambling. Anyone who does so faces severe disciplinary action by the Commissioner, including lifetime suspension. We have posted our anti-gambling rules in every stadium locker room and have shared those rules with every player and every other individual associated with the NFL.

The League has also sought to limit references to sports betting or gambling that in any way are connected to our games. For example, we have informed the major television networks that we regard sports gambling commercials and the dissemination of wagering information as inappropriate and unacceptable during football game telecasts.

Commissioner Tagliabue reemphasized this January that gambling and participation in the NFL are incompatible. In a restatement of our policies, the Commissioner reiterated that no NFL club owner, officer or employee may own any interest in any gambling casino, whether or not the casino operates a "sports book" or otherwise accepts wagering on sports. The Commissioner specifically stated that no club owner, officer or employee may own, directly or indirectly, or operate any 'on-line,' computer-based, telephone, or Internet gambling service, whether or not such a service accepts wagering on sports. (Ex. A).\*

The League has been a strong proponent of federal efforts to combat sports gambling. We strongly supported the passage of the Professional and Amateur Sports Protection Act of 1992 (28 U.S.C. 3701 et seq.). This 1992 legislation, known as PASPA, prohibits the states from legalizing sports betting. The League also worked to promote the passage of the Chairman's Internet gambling legislation in the last Congress. Like PASPA, the proposed legislation is a logical and appropriate extension of existing federal law and policy. The precedents for federal action in this area were well canvassed by the full Judiciary Committee in its report accompanying the 1992 legislation (S. Rep. No. 248, 102d Cong., 1st Sess. 5-8 (1991)).

The Internet Gambling Prohibition Act of 1999 is a necessary and appropriate federal response to a growing problem that, as the States Attorneys General have testified, no collection of states can adequately address on an individual basis. Ten years ago, a gambler might have used the telephone to call his bookie. Today, he simply logs on. Gambling businesses around the country—and around the world—have turned to the Internet in an obvious attempt to circumvent the existing prohibitions on gambling contained in the Wire Act and PASPA. Many offshore gambling businesses provide betting opportunities over the Internet, effectively beyond the reach of federal and state law enforcement authorities.

\* For Exhibits A-E, see Senate Hearing 106-170, Hearing on Internet Gambling, Senate Judiciary Committee, March 23, 1999; pp. 27-53.

The bill is needed because it updates our laws to reflect new technology. In its report accompanying the PASPA legislation eight years ago, the Judiciary Committee noted the growth of “new technologies” facilitating gambling, including the use of automatic teller machines to sell lottery tickets, and proposals to allow “video gambling” at home. S. Rep. No. 248, *supra*, at 5. It was, in significant part, the specter or expanded gambling raised by those “new technologies” that spurred Congress to enact PASPA. In those days, the “new technologies” did not yet include the Internet. That day, however, has now come.

The problem of Internet gambling is significant—and growing. According to recent publications, the Justice Department has estimated that Internet gambling generated \$600 million in revenue in 1997 alone. (Ex. B).<sup>\*</sup> A recent cover story in *USA Today* predicts that Internet betting will grow to \$2.3 billion by 2001. (Ex. C).<sup>\*</sup> And an article by Professor Goldsmith in *The International Lawyer* reports that some experts expect Internet gambling revenue to grow even faster, up to \$10 billion by the year 2000. (Ex. D).<sup>\*</sup>

Internet gambling is so successful largely because so little effort is required to participate. Unlike traditional casinos, which require gamblers to travel to the casino and place their bets on-site, Internet gambling allows bettors to access on-line wagering facilities twenty-four hours per day, seven days a week. Gamblers can avoid the hassle and expense of traveling to a casino, which in many parts of the country requires out-of-state travel. Internet gamblers also can avoid the stigma that may be attached to gambling in public on a regular basis.

Internet gambling sites are easily accessible and offer a wide range of gambling opportunities from all over the world. Any personal computer can be turned into an unregulated casino where Americans can lose their life savings with the mere click of a mouse. Many of these gambling web sites have been designed to resemble video games, and therefore are especially attractive to children. But gambling—even on the Internet—is not a game. Studies have shown that sports betting is a growing problem for high school and college students, who develop serious addictions to other forms of gambling as a result of being introduced to “harmless” sports wagering.

As the Internet reaches more and more college students and schoolchildren, the rate of Internet gambling among young people is certain to rise. Because no one currently stands between Internet casinos and their gamblers to check identification, our children will have the ability to gamble on the family computer after school, or even in the schools themselves. And we must not be lulled by the paper tiger set up by proponents of Internet gambling—that children cannot access gambling web sites because they lack credit cards. It does not take much effort for a child to “borrow” one of his or her parents’ credit cards for the few minutes necessary to copy down the credit card number and use it to access an Internet gambling service.

The problems connected with Internet gambling transcend the NFL’s concerns about protecting the integrity of professional sports and the values they represent. According to experts on compulsive or addictive gambling, access to Internet sports wagering dramatically increases the risk that people will become active, pathological gamblers. The National Council on Problem Gambling has reported that sports betting is among the most popular form of gambling for compulsive gamblers in the United States. That means that once individuals become exposed to sports betting, there is a real problem with recurrent and uncontrollable gambling.

Conducting a gambling business using the Internet is illegal under the Wire Act (18 U.S.C. § 1084) and indeed has been prosecuted—for example, in the case brought against six Internet sports betting companies last March by federal authorities in the Southern District of New York (Ex. E).<sup>\*</sup> But as the prosecutors in that case plainly recognized, asserting jurisdiction over offshore gambling businesses that use the Internet can be problematic. More significantly, the Wire Act does not include direct mechanisms for ensuring termination by Internet service providers of access to online gambling sites.

Just as Congress enacted the Wire Act to prohibit the use of the telephone as an instrument of gambling, so Congress should now enact specific legislation to prohibit the use of the Internet as an instrument of gambling. And just as the Wire Act provides an effective mechanism for bringing about the termination by telephone companies of service to gambling businesses, so the Internet Gambling Prohibition Act of 1999, through its injunctive relief provisions, would provide an effective mechanism for bringing about the termination by Internet service providers of access to gambling sites. In our view, Mr. Chairman, providing such a mechanism for ensur-

<sup>\*</sup> For Exhibits A–E, see Senate Hearing 106–170, Hearing on Internet Gambling, Senate Judiciary Committee, March 23, 1999; pp. 27–53.

ing that Internet service providers will terminate access to such sites is critical to any legislation to combat Internet gambling.

In supporting the PASPA legislation to prevent the spread of legalized sports betting, Commissioner Tagliabue testified:

“Sports gambling threatens the character of team sports. Our games embody the very finest traditions and values. They stand for clean, healthy competition. They stand for teamwork. And they stand for success through preparation and honest effort. With legalized sports gambling, our games instead will come to represent the fast buck, the quick fix, the desire to get something for nothing. The spread of legalized sports gambling would change forever—and for the worse—what our games stand for and the way they are perceived.” Quoted in S. Rep. No. 248, *supra*, at 4.

Left unchecked, Internet gambling amounts to legalized gambling. Its effects on the integrity of professional and amateur sports and the values they represent are just as pernicious. Just as Congress intervened to stem the spread of legalized sports gambling in 1992, so it must intervene to stem the spread of Internet gambling today.

Mr. Chairman, we applaud your efforts and the efforts of your staff to address this important problem. The Internet Gambling Prohibition Act of 1999 will strengthen the tools available to federal and state law enforcement authorities to prevent the spread of Internet gambling into every home, office and schoolhouse in this country, and will send the vital message—to children and adults alike—that gambling on the Internet is wrong. We strongly support the passage of your bill.

Thank you.

