



## Written Testimony of the Coalition to Stop Internet Gambling

*Regulatory Reform Committee Hearing on HB 4311 – the “Lawful Internet Gaming Act”*

*March 12, 2019*

Thank you, Mr. Chairman and members of the Committee, for allowing the Coalition to Stop Internet Gambling – a national effort to oppose internet gambling at the state and federal levels – the opportunity to submit written testimony regarding HB 4311.

Just as the text of this bill is nearly identical to a version of the *Lawful Internet Gaming Act* which failed last year, so too are our deep concerns – namely the extent to which the internet gambling industry threatens children and addicts, the serious state constitutional issues with this proposed expansion of gambling, as well as the legislation’s devastating effect on the School Aid Fund.

While the consequences of putting Michigan’s most vulnerable a single click or tap away from predatory online casinos, skirting the state’s Constitution, and draining funding to Michigan schools and cities remain as dire as ever, the legal status of the internet gambling industry in the United States, however, has changed significantly in the mere months since this legislation was previously considered. Earlier this year, the U.S. Department of Justice’s Office of Legal Counsel (OLC) released a landmark decision which makes clear that *all forms of internet gambling*, not just sports betting, are prohibited under federal law.

As Charles J. Cooper explains in the attached memo on DOJ’s recent restoration of this long-standing federal ban on internet gambling, “in light of the 2018 OLC Opinion, non-sports-related gambling activity using interstate wires, including online gambling, is illegal under the Wire Act, and there is every reason to believe that the Department of Justice (DOJ) will enforce the Act against violators after June 14, 2019... as it did before the 2011 OLC Opinion.” “Entities that continue to be engaged in online gambling activities,” as Cooper continues, “will be flouting the Wire Act, as authoritatively interpreted by the DOJ, and will thus be exposed to criminal prosecution.”

HB 4311, therefore, wouldn’t just put the people of Michigan in direct danger of being preyed upon by an industry that rakes in more than half of its profit from problem gamblers and has a presence on the smartphones of over half of 16-year-olds in the UK – it would put the state of Michigan in direct defiance of federal law.

At this hearing, CSIG strongly urges you to listen to the nearly 70 percent of Michiganders who oppose online gambling, per a December WXYZ poll – as well as to DOJ’s decision to explicitly prohibit it.

# The “Unconstitutional” *Lawful Internet Gaming Act* Endangers Michigan’s School Funding, Kids

## EMPOWERS THE UNSCRUPULOUS ONLINE GAMBLING INDUSTRY

### NONPARTISAN PUBLIC STUDY: HB 4926 DRAINS SCHOOL FUNDING

*“We concur with [the fiscal agency]. Last year, CSIG commissioned an independent fiscal analysis, which confirmed the [fiscal agency’s] analysis. The potential downside of Internet gambling far outweighs the upside.” – David Cookson, former Nebraska Chief Deputy Attorney General and Special Counsel, 9/13/17*

As the nonpartisan House Fiscal Agency concludes in its legislative analysis, HB 4926 would severely diminish the School Aid Fund and deprive millions of dollars in lost tax revenue from the City of Detroit:

- “[HB 4926]...likely would result in a net reduction in revenues to state and local governments, including the City of Detroit...”
- “The State School Aid Fund (SAF) likely would realize reduced revenues under House Bill 4926.”
- “Internet gaming presumably would also reduce lottery sales, mainly by diverting participants...Net revenue from iLottery is deposited in the SAF. Therefore, any diminishment in iLottery sales from the introduction of online gaming would result in lower SAF transfers from the Bureau of State Lottery.”
- “The bill likely would reduce City of Detroit revenues from casino gaming sources.”

### INDEPENDENT ANALYSIS: HB 4926, 4927 “UNCONSTITUTIONAL,” “INVALID,” “UNENFORCEABLE IF ENACTED”

*“Given the grave consequences that online gaming poses, it’s clear why our state’s Constitution includes a provision that requires any expansion of gambling to be approved by the people – and why proponents of HB 4926 are so bent on violating it.” – Michigan Family Forum’s Dan Jarvis in The Detroit News, 4/25/18*

The most critical of the Lawful Internet Gaming Act’s Constitutional violations pertains to Article 4, § 41, which states that no new Michigan law authorizing gaming is effective without the approval of a majority of voters in both a statewide election and the city or township where gambling will take place – which would, in effect, be everywhere with Internet gambling.

- In addition to Article 4, § 41 – which requires Internet gambling to be placed on statewide and local ballots – an independent analysis also concluded that the bills violate numerous other provisions of the Michigan and United States Constitutions, including the following:
  - The Dormant Commerce Clause
  - Equal protection/substantive due-process requirements
  - Procedural due-process requirements
  - Imposition of unreasonable licensing and application fees
  - Separation of powers
  - The void for vagueness doctrine
  - The overbreadth doctrine

## INTERNET GAMBLING IS DANGEROUS TO MICHIGAN'S KIDS

*"With online gambling there's increased accessibility so you no longer have to actually go to a casino and be 21 years of age to enter it. You have 24-hour access online. It's free. There's no ID required. So there's nothing preventing you from engaging in that behavior." – Michigan Health Department's Gambling Treatment Services, 4/24/18*

Putting a virtual casino open 24/7 in every Michigan home – thereby turning every smartphone into a slot machine – poses a direct threat to children, as evidenced by jurisdictions which already legalized Internet gambling:

- In 2017 – ten years after the UK legalized online gambling – an Ipsos Mori survey found that about 370,000 (12%) children in England, Scotland and Wales gambled in the past week. 25,000 children in Britain are problem gamblers.
- 22% of kids who used a parent's account to gamble online did so without permission.
- The survey also found that kids are spending their own money on gambling more frequently than smoking cigarettes and using drugs – combined.

## INTERNET GAMBLING COMPANIES TARGET MINORS AND PROBLEM GAMBLERS

*"To online gambling corporations, our kids are clearly seen as customers and problem gamblers as profit." – Former U.S. Senator Blanche Lincoln in The Washington Times, 4/17/18*

In April 2018, screenshots obtained by *Business Insider* caught Internet casinos red-handed trying to lure young children and gambling addicts onto their platforms. Similarly to the predatory practices exploited by the industry overseas, ads for online gambling corporations operating in the United States "appear on pages with headlines such as 'Twelve Ways To Stop Gambling Addiction Forever' and a gaming website called GirlsGoGames.com." The ads were also spotted on a *WWMT* (Grand Rapids) article about how to contact the Michigan Problem Gambling Hotline.

- *The Times*: "Children are being bombarded with a record number of gambling adverts as betting websites embark on an unprecedented spending spree to attract new customers."
- *The Sun*: "Fears grow over cartoons in online games luring kids to gambling"
- *ABC Australia*: "[Online gambling company] Tabcorp promoting gambling with free jellybeans...the giveaway has been criticized...as promoting gambling to children"

