

1 CHAIRPERSON JAMES: Good morning and welcome, John.

2 DR. SHOSKY: Good morning. Thank you, Madam Chair.

3 At least one economist observed that wagering on sports events
4 is probably the most common type of gambling. From the
5 bilateral bet between two friends in an office pool to the
6 professional bookie, sports wagering is pervasive. Speculation
7 and predictions seem to be inherently involved in a discussion
8 of the probability or the odds of achievement. In a recent
9 book, O'Brien has noted that sports betting attracts some of the
10 most cerebral betters in the country, those anxious to match
11 wits with odds makers and bookies.

12 Many gamblers learn the current point spread on
13 major sporting events by consulting newspapers, radio talk
14 shows, television and cable programs, on-line services and other
15 sources. By consulting the current line, potential wagers
16 betting both legally and illegally, place educated bets on the
17 outcome. I'd like to discuss the legal status for just a
18 moment. Sports gambling is legal in two states, Nevada through
19 casino sports books and Oregon through a state lottery game
20 based on NFL football.

21 Two other states, Delaware and Montana, are allowed
22 to have sports book by statute but currently it's not
23 authorized. These four states had a pre-existing statute to
24 provide for sports gaming before enactment of federal
25 legislation in 1992 which prohibits sports betting in all other
26 states.

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1 Because of the illegality of sports wagering in most
2 states is clear, reliable figures on the scope of sports
3 gambling are difficult to find. There's at least one study that
4 indicates that approximately \$88 billion is gambled illegally on
5 sports each year with another 2.46 billion handled legally in
6 Las Vegas. For example, there was a record \$77.3 million bet in
7 Nevada on the Super Bowl game between the Denver Broncos and the
8 Green Bay Packers. Illegal gambling on the Super Bowl was
9 estimated by at least one source to be 100 times that amount.

10 One speculation is that sports wagering is a big as
11 the lottery business. However, the percentage of profit had
12 slipped dramatically over the years and some casinos actually
13 lose money operating the sports book, retaining this form of
14 gambling more as an amenity than as a revenue producer.

15 There's considerable evidence that some participants
16 in sports events gamble, unfortunately. Recently, there's been
17 open admissions of point shaving schemes. For instance there's
18 the celebrated and recent case of Dion Lee, a former
19 intercollegiate basketball player at Northwestern who admitted
20 his part in a scheme to fix three basketball games. Kevin
21 Pendergast, a former place kicker for the football team at Notre
22 Dame indicated that he was involved in an organized point
23 shaving scheme.

24 Also there is evidence that some participants work
25 to change the final outcome of sports events to assist gamblers.
26 The 1919 Black Sox scandal symbolizes such a compromise of the

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1 integrity of the sport and I have to tell you, Madam Chair, as a
2 personal story, my father was involved in professional baseball
3 in the 1920's and he knew many of the players involved in the
4 Black Sox scandal. I can tell you that over the dinner table at
5 night we would talk about this event on occasion and for my
6 father the Black Sox scandal was hateful.

7 I wonder sometimes if we can appreciate how that
8 scandal rippled through American culture. Sometimes I wonder if
9 a comparable event could take place. Maybe the closest thing
10 might be something that would compromise the Super Bowl or the
11 finals of the NBA basketball tournament. But in 1996 we know at
12 least 13 players at Boston College admitted gambling on sports
13 events with two betting against their own team. In that same
14 year, a study sponsored by the NCAA found that over 2,000
15 student athletes surveyed in Division 1 basketball and football
16 programs of those 2,000, 25.5 percent admitted betting on
17 college sports events while at school.

18 The NCAA study found that 3.7 percent of the student
19 athletes surveyed had placed bets on games in which they had
20 played. As a result of the threat of a compromise, the National
21 Football League, Major League Baseball, the National Basketball
22 Association, and other organizations have stringent standards
23 against betting on your own sport. In many cases it's grounds
24 for dismissal for any athlete or coach. Each league, by the
25 way, offers referral services for treatment of gambling and
26 other addictions when an addiction is admitted.

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1 Sports wagering on college campuses is also of
2 recent concern. There's much justifiable worry about the rise
3 of sports wagering on campuses. For example, Cedric Dempsey,
4 the executive director of the National Collegiate Athletic
5 Association, recently argued at the NCAA Southeastern Sports
6 Gambling Summit that there is evidence more money is spent on
7 gambling on campus than on alcohol. Dempsey claims that every
8 campus has student bookies. He also said, "We are seeing an
9 increase in the involvement of organized crime in sports
10 wagering".

11 Bill Saum, who is with us today, from the NCAA has
12 called it the number 1 thing in the '90's in college, so there's
13 much worry about college gambling compromising the integrity of
14 sporting events as well. Student bookies can be found on most
15 college campuses enabling betting on sporting events. Three
16 years ago Sports Illustrated ran a controversial report on
17 college campus betting, calling it rampant and prospering and I
18 recommend that article to anyone interested.

19 Gambling rings have been uncovered at Michigan
20 State, Maine, Rhode Island, Bryant, Northwestern, Boston
21 College, and many other institutions. While studies are sparse,
22 LeCeur (ph) has found in a survey of six colleges in five states
23 that 23 percent of students gambled at least once a week. Some
24 studies show that between six and eight percent of college
25 students are probable problem gamblers, which is defined as
26 having gambling habits out of their control.

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1 Many gamblers start as adolescents. One example is
2 a Texas Tech sophomore who started gambling in tenth grade. By
3 the time he was a senior in high school, he was winning and
4 losing thousands of dollars. Another student at the University
5 of Florida talked of raiding \$20,000.00 from his joint checking
6 account with his mother and of owing tens of thousands of
7 dollars to other friends. And as we know, many Americans are
8 now turning to the Internet to gamble on sporting events. This
9 is happening on college campuses and elsewhere and there's a
10 reason for worry here, too.

11 Internet gambling has become widely available at the
12 same time that sports touting services have proliferated. For
13 example, Jason Ader (ph) an analyst with Smith Barney in New
14 York, suggests that the legalization of Internet gambling, if it
15 ever would happen, would create \$10 billion of net revenue for
16 cyber casinos, so we know that we're talking about a lot of
17 money here. Other sources estimate that this amount could total
18 \$1 trillion worldwide. Interestingly, at one point 48 of the
19 nation's 50 largest newspapers published betting lines and
20 information.

21 Sports periodicals that analyze upcoming contests
22 such as College and Pro Weekly Football or Sports Forum are
23 littered with advertisements for 1- 800 and 1-900 odds
24 information numbers, wagering phone numbers, celebrity
25 information numbers, sports results networks, and confidential
26 sports wagering accounts. There are also colorful

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1 advertisements for offshore Internet gambling sites and for
2 Internet sites located in foreign countries.

3 The NCAA and other organizations have expressed the
4 fear that Internet gambling will increase the amount of sports
5 wagering on college campuses and the number of gambling
6 infractions by student athletes. Of course, there are a lot of
7 possible solutions that one might consider. One of our previous
8 witnesses at the last hearing in New Orleans, Edward Galenic,
9 has suggested the sports wagering be legalized. Others have
10 suggested greater enforcement efforts on the other hand. For
11 those citizens who violate state laws, stiffer penalties have
12 been suggested. For professional athletes, there have also been
13 suggestions for stiffer penalties.

14 Some have argued that student gamblers should suffer
15 expulsion. Some believe that student athletes who gamble should
16 lose their eligibility entirely. And some have argued at the
17 very least colleges should have written, credible and visible
18 policies against student gambling. There are others who argue
19 that promotions for lotteries or casinos should not be shown
20 during a sporting event and that the gambling business should
21 not sponsor a sporting event. There have also been suggestions
22 that newspapers should not run advertisements for touting
23 services or handicappers.

24 This is a debate, as you may know, Madam Chair, in
25 Washington, D.C. where the Washington Post has cut a compromise
26 by running the line on professional events but not on college

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1 events. Some newspapers have actually complied with this
2 request. In Florida the Attorney General's office ordered the
3 print and broadcast media to cease and desist running ads that
4 promote illegal gambling. In conjunction with that request,
5 Western Union in Florida made the announcement that it would no
6 longer send quick collect funds to offshore betting sites.

7 Many believe that the law is clear about Internet
8 gambling, that it's illegal. Of course, there are others who
9 think that the law is muddy and needs to be cleaned up. Let me
10 offer a few examples. Recently Indiana Attorney General Jeff
11 Monacett issued an opinion that gambling on the Internet is a
12 Class D felony punishable by 18 months in prison and a fine of
13 up to \$10,000.00. While there's no court decision in Indiana
14 that Monacett could use to justify his position, he argued that
15 his opinion bears legal weight in his state. He also acted in
16 part because of his concern about the growing use of Internet
17 gambling on college campuses and by adolescents.

18 There are others who argue that Internet gambling is
19 illegal because it involves transmission of wagering
20 information. There's much debate about this. One person, Jeff
21 Pash, has argued that it violates 18 US Code 1084 except where
22 such gambling is legal at both the sending and receiving ends of
23 the transmission. There's much debate about the meaning of what
24 we would consider a transmission to be in the U.S. Code. Some
25 people say that logging on and acceptance of the bet should

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1 qualify as a transmission. There are other people who have
2 argued the opposite.

3 Some Internet gamblers have been arrested which is
4 an interesting development. In March of 1998 the United States
5 attorney filed criminal charges against 14 individuals involved
6 with sports book making marking the first time that anyone has
7 been arrested for Internet gambling.

8 In conclusion, Madam Chair, the rapid proliferation
9 of computer technology and credit availability has made sports
10 wagering possible from any where any time. As computer and
11 communication technology continues to evolve and mutate, the
12 difficulty of oversight becomes geometrically more complex. The
13 amounts of money involved and the dangers posed to adolescents,
14 college students and problem gamblers are enormous.

15 CHAIRPERSON JAMES: Thank you. Any questions or
16 discussion for Doctor Shosky before we move to our panel?
17 Doctor Shosky, thank you very much.

18 DR. SHOSKY: Thank you.

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