MR. SAUM: Thank you, Madam Chair. The colleague that joins me at the table is Daniel Nestel, he is our assistant director of NCAA Federal Relations.

CHAIR JAMES: Mr. Saum, before you get started, maybe you can clarify something for this Commission. It was a point of discussion that came up yesterday. Do you know the status of sports betting, people in offices, office pools, betting on the Superbowl, legal or illegal?

MR. SAUM: Sports pools that you enter, whether it is a dollar, or 10,000 dollars, would be illegal.

CHAIR JAMES: That is certainly my understanding, and I thought it was interesting that the National Gambling Commission needed to sort of clarify that. But that certainly was my understanding. I had a staff person check in the State of Virginia, and it is, indeed in Virginia, illegal for someone to wager on a sports event.

MR. NESTEL: Madam Chair, there was an excellent article written on internet office pools by the Wall Street Journal, I believe last Friday, and I can get a copy if other Commissioners haven’t seen that.

CHAIR JAMES: I just thought it was an interesting point. Thank you, please go right ahead.

MR. SAUM: As the National Collegiate Athletic Association’s director of gambling activities, I want to extend our organization’s appreciation to appear before you again today. I want to remind all of us that the NCAA is a non-profit association of approximately 1,100 colleges and universities, that services, regulates, and promotes
intercollegiate athletics for over 300,000 student athletes, both
male and female.

Let me assure you, we care deeply about the issues that
you are addressing, and are pleased to offer our recommendations.

My testimony today will be offered in two parts. I
have prepared statements in regards to the internet, and some
informal comments regarding the letter that we sent you on
January the 28th that included the rest of our recommendations.

As I stated to you in November, there are an unlimited
number of positive uses of the internet. However, interactive
gambling is not one of them. Interactive gaming provides college
students with the opportunity to place wagers on professional and
college sporting events from the privacy of his or her campus
residence.

Internet gambling offers the student virtual anonymity,
with nothing more than a credit card, the possibility exist for
any student athlete to place a wager, via the internet, and then
attempt to influence the outcome of the contest while
participating on the court or playing field.

There is no question that the advent of internet sports
gambling poses a direct threat to all sports organizations, that
first and foremost must ensure the integrity of the contest being
played.

The very real potential for point shaving instances is
not the only troubling aspect of Internet gambling. If left
unchecked, the growth of Internet gambling may be fueled by all
college students. After all, who has greater access, and who has
greater knowledge on how to use the internet? Our college
students.
Many college students have unlimited use of the internet, and most residence halls are wired for internet access. Furthermore, college students now have the means to place wagers over the internet. College campuses are being deluged with representatives from credit card companies offering free gifts to students in return for filling out credit card applications.

A recent Nellie May study revealed that 65 percent of undergraduate students have credit cards, and 20 percent have four or more credit cards.

Another concern of the NCAA and college administrators is that the internet gambling operations are illegal in this country, under Section 1084 of Title 18 of the United States Code.

Even more troubling, while the existing federal law does not impose criminal penalties on those placing sports bets with Internet gambling operations, nearly every state has gambling laws that prohibit sports gambling.

In my position with the NCAA I have fielded an increasing number of questions from students, student athletes, and college administrators who are receiving e-mail solicitations from sport book sites on the internet.

My message to them is clear. Not only would your participation in this activity result in a serious NCAA violation, but even more importantly, you are committing a crime.

It is specially difficult for students to understand that everything found in the internet isn’t legal.

The best way of addressing internet gambling in this country is to adopt federal legislation that provides for a blanket prohibition of this activity in the United States.
While section 1084 of Title 18 of the U.S. Code has recently been used by federal law enforcement officials to charge 18 operators of offshore Internet gambling sites, the current law still needs to be updated.

Section 1084 of Title 18 was passed in 1961, and was aimed at sports betting over telephone lines. As you know the internet is quickly moving to a wireless environment that soon will not be covered under Section 1084.

Also Section 1084 only prohibits the operation of an internet gambling business. Current federal law does not impose criminal penalties on individual gamblers who place sports bets over the internet.

In addition, new civil enforcement mechanisms are needed that will provide law enforcement officials with the option of seeking injunctions requiring internet service providers to block customer access to offshore gambling websites.

Last year two versions of federal internet gambling legislation made their way through Congress. One of the bills was introduced by Senator John Kyl, and the other by Representative Bill McCollum.

The NCAA strongly endorses Senator John Kyl’s approach. The National Association of Attorney’s Generals, in an uncharacteristic move, have asked Congress to pass a federal law that will impose a blanket prohibition on internet gambling.

While recognizing that gambling issues have largely been left to the states to decide, the states attorney generals have recognized that by its very nature, Internet gambling cannot be kept within any one state border.
Representative McCollum’s bill contained a provision that permitted the state to decide whether to prohibit Internet gambling.

The NCAA joined the States Attorney Generals in supporting the Kyl bill, in part, because it imposed a uniform prohibition.

Finally, and most importantly, a new federal law with stiff criminal penalties will act as a strong deterrent. The NCAA recognizes there is no perfect legislation solution in addressing the issue of Internet gambling. However, Internet gambling is still in its infancy.

As the number of on-line sports betting sites continue to grow, it is essential that the United States send a clear message that there is no longer any ambiguity with the passage of new federal legislation. It will be a violation of U.S. law to accept bets over the internet from the U.S.

At this early stage in the development of the Internet gambling industry, the deterrent effect may be the most successful result that comes from the passage of an Internet gambling prohibition bill.

At this point I would like to briefly review the remainder of the NCAA’s recommendations as detailed in your January 28th, 1999 letter.

I would like to emphasize to you that all our points are directed to the issue of the integrity of the contest that we are involved in, and also with the youth, and their involvement in gambling at the college level, and obviously where we receive our students athletes from, those individuals at the high school level.
I would also like to emphasize that with our recommendations, our thoughts and ideas, we want to be of assistance. We are not just asking you to make recommendations and someone else do the work. The NCAA is willing to step up to the plate and be a part of all of these recommendations, if you see fit to send them on.

The first area that I would like to discuss is the area of research. We have discussed before that six to eight percent of all college students are probable pathological gamblers.

We have a Cincinnati, and now a Michigan study, that show that 25 to 35 percent of our male football and basketball students are gambling on college and professional athletics.

The Michigan study states that 20 percent of our women are gambling on college or professional athletics. And we also know, through Dr. Shaeffer at the Harvard Medical School, that the youth’s path to gambling is through sports wagering.

And then, finally, we know that there is no higher prevalence to gambling in a specific age group, than the young people at the high school and college level.

In the area of research, our recommendations would include more research to determine our youth’s attitudes, the extent of bookmaking operations on college campuses, how do they use the internet, the influence of casino ads, and other factors involving the youth.

We would also hope that the research would include information that would help assist us in tailoring education programs, and what is it that will hit, and make an impact on our college students, and our high school students.
The second area that I would like to address in the area of recommendations is the education, the awareness, and the prevention.

The first subarea underneath that are the sports help services advertisements. I think we are all familiar with sport help services, those are individuals, or businesses, or phone numbers that bettors call to receive information on who it is they should bet on. We are very concerned on a number of fronts in this regard. First, the issue of consumer fraud. We have anecdotal information that these individuals if you call the first time, they may give you team A, and you call them the second time they will give you team B.

We also have folks on the inside of those operations that have shared that information, let alone the individuals who contact us with their poor experiences. We also believe that sports help advertisements outside of the state of Nevada, encourage illegal sports wagering across the United States. The sport help services serve no purpose outside of the state of Nevada, since sport wagering is illegal.

The second area would be further government support in developing gambling education and addiction prevention programs.

We need to make sure that our students are aware of the economic, social, and legal ramifications, as well as the health risks involved in the area of gambling.

In this area we also would submit to you to consider the idea of a national summit to address this issue of youth’s involvement in gambling and sports wagering. We would suggest bringing together amateur sports organizations, professional
sports organizations, the media, educators, and other individuals such as legislators and regulators.

And, again, the NCAA is willing to take a leadership role in this activity if you so choose to recommend this activity.

We also believe in this area that the health care professional and industries need to be encouraged to further study the issue of gambling so the health care industry is prepared to counsel our students and our student athletes on our college campuses.

Our final area of recommendations include the area of law enforcement, and new federal legislation. Again, this is a priority to help assist our youth in fighting this sport wagering difficulties that they encounter.

We would encourage you to consider recommending that the Justice Department, United States Attorneys, the FBI, and state governments to continue to enforce and make a priority the enforcement of present sports wagering laws, sports bribery laws, racketeering laws, and the entire issue of the internet.

We need to emphasize to these groups that what we are dealing with here is a crime, and that it is not victimless, that there are many victims in this regard.

We have had the opportunity to visit with Attorney General Reno’s Advisory Council, which is made up of 16 United States Attorneys, and they had an interest in this. But we need to further encourage the United States Attorney’s office, the Justice Department, to make this a priority.

And as a result of that we would gain the FBI’s assistance in reviewing further information. We would also
encourage consideration be given that the Justice Department
convene a special taskforce to further review the issue of sports
wagering, primarily to raise awareness in regards to illegal
sports wagering across the country.

And, finally, in regards to the State Attorney
Generals, we would encourage that they enforce their state
gambling laws, and that the Commission send a message of the
importance of possibly the State Attorney Generals making an
impact, making a statement in regard to the consumer fraud issues
involving the sports help services.

In conclusion, we would like again to say to you that
we appreciate the opportunity to visit with you. And I want to
emphasize again, as I did at the beginning, the NCAA is ready to
step up to the plate and do our part in this. We are not asking
you to do our work, we are merely asking you to consider our
recommendations to help us raise awareness in this area of youth
problems in gambling and sports wagering.

Again, we appreciate the opportunity to be before you,
and we would appreciate the opportunity, also, to answer any of
your questions. Thank you.