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Congress Moves to Dedicate \$40 Billion in Internet Gambling Revenue for Job Training and Foster Care Programs

Legislation's introduction shows continued support for Internet gambling regulation

(Washington, D.C. – July 16, 2008) – Rep. Jim McDermott (D-Wash.) introduced legislation yesterday that directs a potential \$40 billion over the next 10 years to be spent on job training for those in the declining sectors of the economy and educational assistance for foster care youth. The legislation, Investing in our Human Resources Act of 2008 (H.R. 6501), would be funded through new revenue generated by regulated Internet gambling activities.

“We have an ideal opportunity to invest billions of dollars in American workers and our struggling economy without increasing the federal deficit,” said Rep. McDermott in speaking about the Investing in our Human Resources Act (IHRA). “IHRA would utilize a funding stream that would become available should Congress decide to legalize and regulate internet gambling, which would protect consumers and collect tax revenue that is currently offshore.”

A provision in the legislation also encourages responsible Internet gambling behavior and an awareness of unsafe practices, something which has been praised by problem gambling advocates.

“I believe that the McDermott bill could be a positive step to help raise awareness about the dangers of unsafe gambling practices and the availability of addiction treatment,” stated the Executive Director of the National Council on Problem Gambling Keith Whyte.

In a sign that the legislation has support from key members of the Democratic Congressional leadership, Reps. George Miller (D-Calif.) and John B. Larson (D-Conn.) are original co-sponsors of the legislation. Rep. Miller is a member of the Democratic Leadership and chairman of the House Democratic Policy Committee. Rep. Larson serves as vice chair of the Democratic Caucus and assists in organizing and running the Democratic Caucus.

Introduction of IHRA demonstrates the growing support in Congress to regulate Internet gambling.

“It is encouraging that Congress is seeking to regulate Internet gambling and put the billions in new revenue to good use,” said Jeffrey Sandman, spokesman for the Safe and Secure Internet Gambling Initiative. “We need to change the current path, where the

prohibition of Internet gambling allows for billions of dollars to be lost in an underground, uncontrolled marketplace ripe for criminal exploitation.”

Revenues from regulated Internet gambling are estimated to be between \$8.7 billion and \$42.8 billion over 10 years, according to a recent tax revenue analysis prepared by PricewaterhouseCoopers. Through IHRA, these revenues would be allocated annually to each state through a new Transitional Assistance Trust Fund. A state would be entitled to receive its allotment based on its percentage of the total population.

To generate additional support for IHRA, Rep. McDermott circulated a letter to all members of Congress. It includes a chart indicating projected allocations of funding by state. A copy of the letter is available at www.safeandsecureig.org/media/mcdermottdearcolleague-IHRA.pdf.

Previously, a framework to regulate and ensure the collection of taxes on Internet gambling activities was proposed in companion pieces of legislation introduced by Reps. McDermott and Barney Frank (D-Mass.)

The Internet Gambling Regulation and Enforcement Act (H.R. 2046), introduced by Rep. Frank in April 2007, establishes an enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the U.S. It would include a number of built-in consumer protections, including safeguards against compulsive and underage gambling, money laundering, fraud and identity theft. The legislation would also reinforce the rights of States to control what, if any, level of Internet gambling is permissible within their borders, including the ability to apply additional taxes, and to ensure that appropriate consumer protections and limitations were in place.

Rep. McDermott’s earlier bill, the Internet Gambling Regulation and Tax Enforcement Act (H.R. 5523), would ensure the collection of taxes on regulated Internet gambling activities. A revised version of the bill, introduced in March 2008, includes an enhanced reporting mechanism under which licensed gambling operators are required to provide each customer an annual statement of winnings and losses. It also establishes a two percent licensing fee that is paid by the operator, not the individual gambler. The licensing fee is designed to equalize the costs of operation in providing gambling services online, as opposed to brick-and-mortar casinos providing gambling services in-person, and would only be applied to online operators.

About Safe and Secure Internet Gambling Initiative

The Safe and Secure Internet Gambling Initiative promotes the freedom of individuals to gamble online with the proper safeguards to protect consumers and ensure the integrity of financial transactions. For more information on the Initiative, please visit www.safeandsecureig.org. The Web site provides a means by which individuals can register support for regulated Internet gambling with their elected representatives.

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