



October 14, 2008

The Honorable Steve Beshear
Office of the Governor
700 Capitol Avenue, Suite 100
Frankfort, Kentucky 40601

Dear Governor Beshear:

I am greatly concerned with your proposal to prohibit Internet gambling through the seizure of Internet gambling domain names. While you accurately assert that Internet gambling is flourishing in an underground marketplace, and a change is needed to protect Kentuckians, your approach interferes with the freedom of the Internet and is not likely to effectively combat the concerns you raise in regard to unlicensed gambling operations.

Today, countless Americans are wagering online in an unregulated environment lacking consumer protections. As a result, these consumers have no protections when they wager online and are vulnerable to scams and unscrupulous operators. Additionally, the U.S. Treasury is not only losing billions in revenue every year because we cannot enforce existing tax laws on those who gamble with offshore operators, but we are letting this money go offshore and leave the U.S. economy. In good economic times we might see this as an unfortunate oversight, but in bad economic times, like now, it is totally unacceptable.

Your approach, seeking to prohibit Internet gambling, will not succeed, as online prohibitions have not and will not stop Kentuckians nor anyone in the U.S. from continuing to find a way to gamble online. There are virtually an unlimited number of web-site addresses available to online operators, and circumvention will continue unless regulated alternatives are provided. For this reason, we encourage you to support the regulation of Internet gambling as a more effective approach to enforce state laws, protect consumers and capture millions of dollars to fund critical government programs in Kentucky.

The movement to regulate Internet gambling is being led by House Financial Services Committee Chairman Barney Frank (D-Mass.). Last year, Rep. Frank introduced the Internet Gambling Regulation and Enforcement Act of 2007 (H.R. 2046) to establish an enforcement framework for licensed gambling operators to accept bets and wagers from individuals in the U.S. It includes a number of built-in consumer protections, including safeguards against compulsive and underage gambling, money laundering, fraud and identity theft. Acknowledging that gambling activities should be regulated at the state level, the Frank bill reinforces 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 are in place.

Additionally, Rep. Jim McDermott (D-Wash.) has introduced two companion bills – the Internet Gambling Regulation and Tax Enforcement Act of 2008 (H.R. 5523) to ensure the collection of taxes on regulated Internet gambling activities and the Investing in our Human Resources Act (H.R.6051) to direct the allocation of new revenue from Internet gambling activities. Based on McDermott’s bills, Kentucky could receive an estimated \$556 million over 10 years to be spent on job training for those in the declining sectors of the economy and educational assistance for youth in foster care.

I hope that you will look further at alternatives to your decision to address unlicensed Internet gambling through efforts to confiscate web addresses, and instead, sign on in support of regulating Internet gambling, so that state laws can actually be enforced.

I applaud your leadership in protecting Kentuckians’ individual right to gamble on horse racing and in casinos if they wish to opt for that form of entertainment, and encourage you to extend that right to those constituents who seek the freedom to gamble online, whether on poker, sports, or other games.

Please do not hesitate to contact me with any questions.

Sincerely,



Jeffrey Sandman
Safe and Secure Internet Gambling Initiative

Cc: Attorney General Jack Conway
Senate President David L. Williams
Senator Charlie Borders
Senator Tom Buford
House Speaker Jody Richards
Representative Harry Moberly, Jr.
Representative Tommy Thompson