

United States Senate

WASHINGTON, DC 20510

September 10, 2012

The Honorable Harry Reid
United States Senate
S-221, The Capitol
Washington, D.C. 20510


Dear Majority Leader Reid,

Internet gambling is on the verge of exploding in the United States, threatening the viability of Nevada's key industries. For many years, Internet gambling was run by offshore operators who, in defiance of U.S. law, offered online sports betting as well as casino-banked games, such as slots and roulette. Consumer protections and barriers to underage gambling were essentially non-existent. In 2006, Congress enacted the Unlawful Internet Gambling Enforcement Act (UIGEA) in an effort to address this wagering.

UIGEA neither legalized nor made unlawful Internet gambling, but it added enforcement tools to thwart Internet gambling payment transactions. The core federal statute that UIGEA enhanced was the Wire Act of 1961. The Department of Justice long interpreted the Wire Act to apply broadly; and enforcement of the Act led to federal indictments of several major Internet gambling operators in the spring and the fall of 2011. But on December 23, 2011, the Department reversed itself, stating that the Wire Act applies only to sports betting, thereby opening the floodgates to all kinds of gambling on the Internet.

In the wake of the DOJ opinion, 16 states are actively considering proposals that would legalize, promote, and vastly expand Internet gambling. Delaware recently took the unprecedented steps to legalize all forms of Internet gambling, and California is expected to quickly follow. Once these and other states act it will become impossible reverse this course of action. Consumers will suffer and Nevada's economy will be damaged.

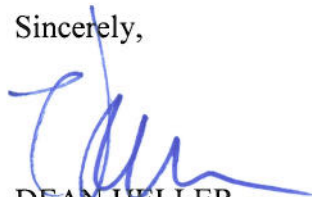
The 1961 Wire Act and other federal laws must be updated to make clear their relationship to Internet gambling, strengthen enforcement tools, and enhance penalties, resulting in a substantial and sustainable decrease in Internet gambling. Failure to act will result in a patchwork regulatory system among states providing little if any consumer protections and jeopardizing the viability of the regulated gaming industry.

To preserve the gaming industry within Nevada, we decided that Internet gambling laws needed to be reformed while providing a path forward for regulated online poker. Since the root of the problem is the DOJ opinion, it is important to address that matter. This opinion has effectively rewritten the law and opened the door to the wholesale expansion of gambling online. Congress must put federal law on a sounder and firmer footing. The problem should be addressed by both Chambers in a way that maximizes the chance for passage of meaningful legislation that will resolve this issue for our state.

As discussed, it would be beneficial for the House of Representatives to first address this issue and then proceed with Senate action. Any change in this strategy jeopardizes the passage of this issue in both Chambers. If you think for some strategic reasoning that something should originate in the Senate then it should address the root of the issue that is plaguing our gaming industry in Nevada, namely the Wire Act. I remain committed to providing a path forward to regulated online poker and believe this is an issue that would be best addressed in the Senate after the House has acted on the core issue at hand. I am concerned by any actions that would deviate from this process and possibly jeopardize passage of this legislation. I, along with Senator Kyl, have met with more than half of our conference to educate them on this matter. We have been working hard on this issue and, while we have received significant support from our colleagues, it is predicated upon having an open and transparent legislative process, in addition to reviewing updated legislative text.

Given the widespread support this issue has received from organizations such as professional law enforcement groups, nationally-recognized Internet child and consumer protection advocates, and the U.S. Chamber of Commerce, I believe that we have an opportunity to pass meaningful legislation that will benefit Nevada and the country. With over a dozen states already taking steps to legalize and expand Internet gambling, I recognize that we must act quickly. I am concerned with attempts to impose a deadline on a Friday afternoon during recess, providing little if any time to reconfirm the necessary support among my conference. This was not a strategy we discussed, and I am deeply concerned such a process would harm this effort. With the tremendous amount of work that has been done to secure support for this issue and regulated online poker, it would be extremely disappointing to let process set this issue back, or worse, negate all of the bipartisan work that has been done to date.

Sincerely,



DEAN HELLER
U.S. Senator