

GamblingCompliance

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WHAT'S NEW IN THIS EDITION?

Introduction: The Federal and State sections have been updated.

U.S. Internet Gambling Regulatory Map: The map has been updated.

Delaware: The Timeline section has been updated.

Nevada: The Current Status and Timeline sections have been updated.

New Jersey: The Current Status and Timeline sections have been updated.

California: The Current Status and Timeline sections have been updated.

Pennsylvania: The Timeline section has been updated.

Federal: A new section has been added.

Dead Legislation: Texas has been added.

U.S. Internet Gambling Legislation Monitor: The monitor has been updated.

U.S. Internet Gambling Reference Table: The table has been updated.

U.S. Internet Lottery Ticket Sales Monitor: The monitor has been updated.

NOTABLE DATA

No. of states that have considered Internet gambling legislation

10

2013 {State}

No of states that considered Internet gambling legislation

9

2012 {State}

Total amount spent (\$m) lobbying Internet gambling legislation

30.5

112th Congress {Federal}

INTRODUCTION

Federal

Internet gambling legislation was introduced in the House on June 7.

The bill, sponsored by Democratic Rep. Peter King of New York, would create an interstate Internet gambling regulatory program overseen by the Treasury Department in conjunction with qualified state and tribal regulatory bodies.

King, who chairs the House Homeland Security Committee, is a long-standing Internet gambling proponent. He co-sponsored the first-ever bill to legalize the activity in 2007 alongside former Democratic Rep. Barney Frank of Massachusetts.

Lobbyists told GamblingCompliance the King bill is not expected to move. They said it is intended chiefly as a “marker” to keep Internet gambling on the congressional radar.

Meanwhile, Democratic Senate Majority Leader Harry Reid of Nevada, whose recent pushes to legalize Internet poker have fizzled, told the Las Vegas Sun in early June that getting a bill passed this session will be difficult. “I felt for several months now that I don’t see any movement on this,” Reid said. “I don’t see anything happening.”

A purported draft bill from Reid’s office last year, which would have authorized Internet poker but tightened restrictions on other forms of gambling, was opposed by Indian tribes and state lotteries. If taken up again this year, the draft bill is expected to draw further opposition from those groups.

In the first quarter of 2013, federal Internet gambling lobbying spend plummeted 40 percent to \$2.3m, down 40 percent compared to the fourth quarter of 2012.

State

Internet gambling legislation is pending in California, Massachusetts and Pennsylvania.

In Texas, Internet poker legislation has died, making the state the fifth behind Hawaii, Illinois, Iowa and Mississippi to scupper a legalization bid this year.

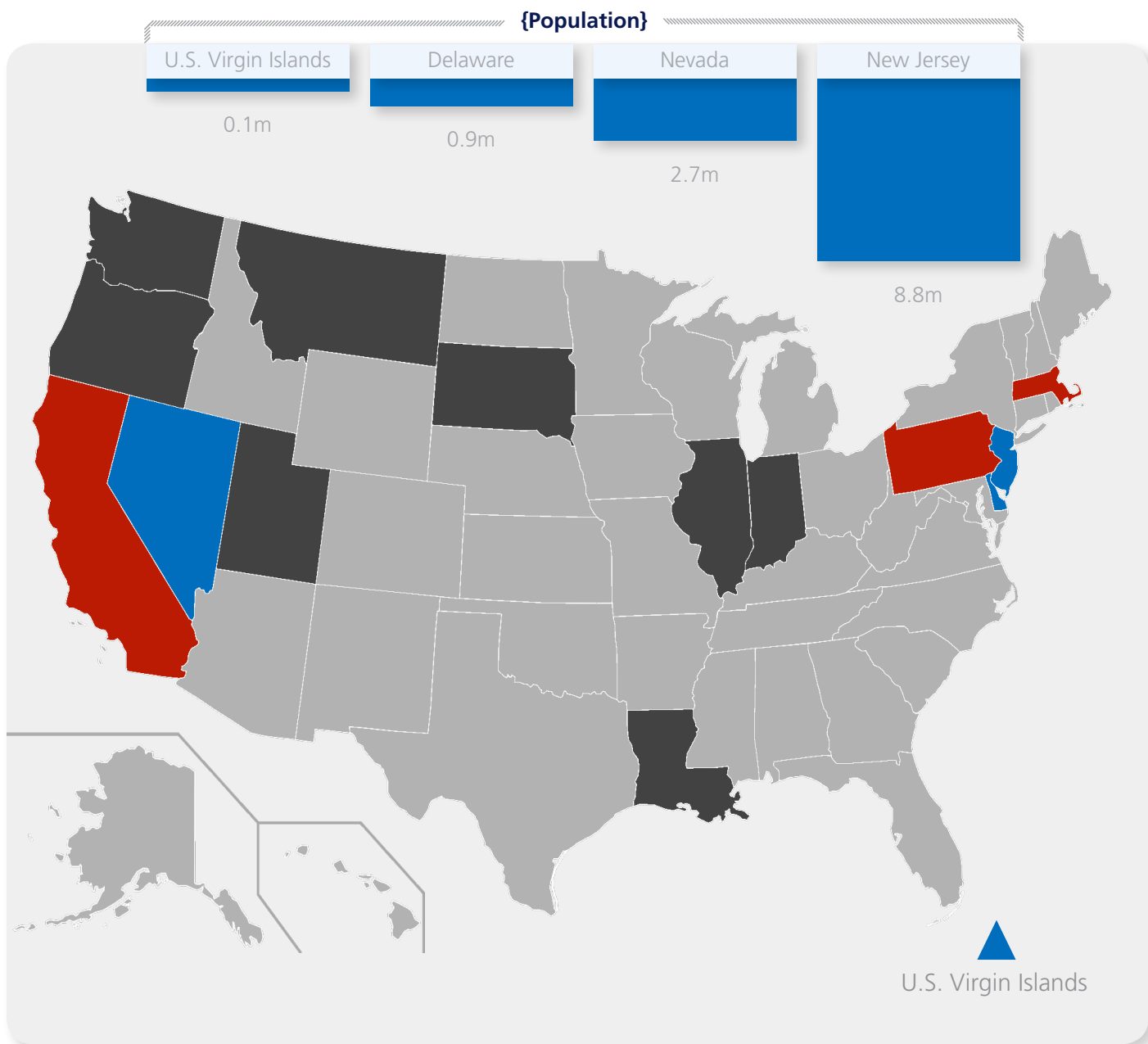
In California, a coalition of influential tribes floated draft Internet poker legislation in early June. The proposal is backed mainly by the San Manuel Band of Mission Indians. A separate draft proposal, floated by the Pechanga Band of Luiseño Indians in conjunction with other, large gaming tribes, is also in play. The two tribal groups are in the process of negotiating compromise language. If agreed, the language could debut later this year, tribal lobbyists told GamblingCompliance in late May.

In Michigan, Internet lottery remains in limbo. Provisions to fund the move have been stricken from the Legislature’s proposed budget. But so too have provisions that would effectively prohibit the lottery from expanding online. The lottery in mid March closed an “iLottery” RFP but has yet to name a winning bidder. The lottery is in the process of negotiating a move-forward solution with the Legislature, its spokesperson told GamblingCompliance in early June.

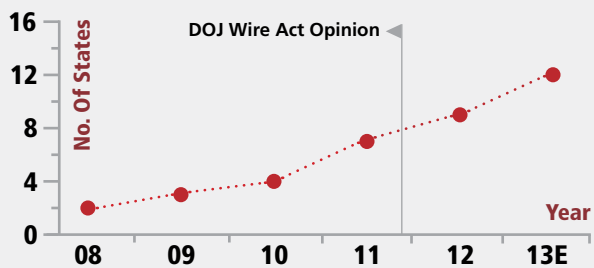
In New Jersey, regulators are preparing to launch Internet gambling. Draft rules were published in mid May. And in late May, Mario Galea, the former head of Malta’s Lotteries and Gaming Authority, was retained to assist with the roll out. Operations are expected to commence on or before Nov. 26, 2013.

Internet poker is live in Nevada and Internet gambling is expected to go live in Delaware on or before Sept. 30, 2013.

U.S. INTERNET GAMBLING REGULATORY MAP: JUNE 2013



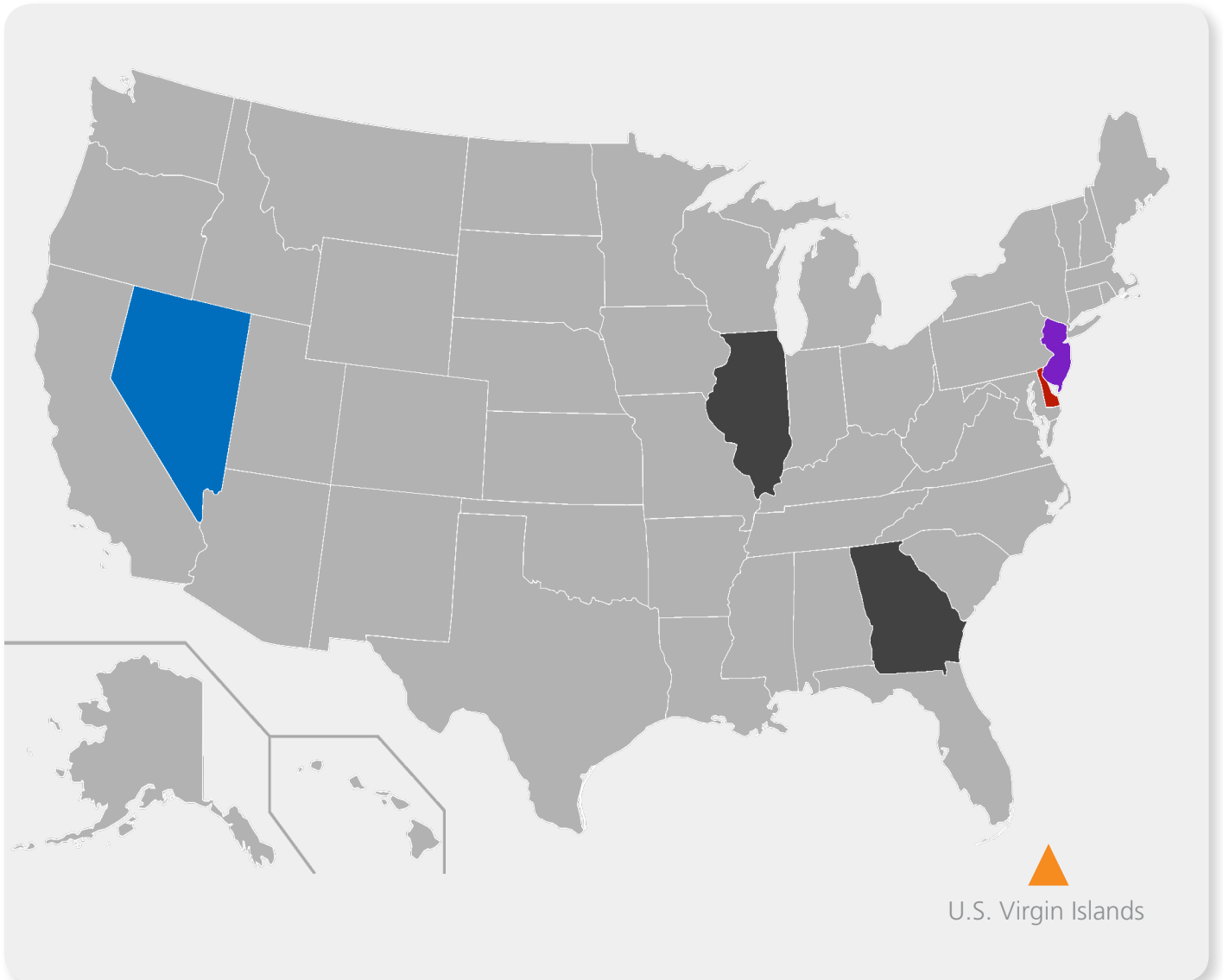
No. Of States Considering Bills








Key

- Internet gambling regulated
- Internet gambling legislation pending
- Internet gambling expressly prohibited

U.S. INTERNET GAMBLING COMMERCIAL ACTIVITY MAP: JUNE 2013



Key

-  Regulated: Poker
-  Regulated: Poker, Casino or Bingo, and Lottery
-  Regulated: Lottery
-  Regulated: Games TBD
-  Regulated: Poker and Casino or Bingo

DELAWARE {REGULATED}



Overview

Delaware is considered one of the smallest prospective Internet gambling markets in the United States given its population, approximately 907,000 residents, is among the lowest in the nation. An exact valuation of the market, however, has not been made public by private or governmental sources.

Current Status

An Internet gambling bill, **HB333** (at right), was enacted in June 2012. It authorizes the Delaware Lottery to offer and administer an Internet lottery. Internet table games and video lottery games will be offered via a website or websites branded and promoted by the state's three racetrack casinos, sharing one technology platform. Sale of Internet ticket games, meanwhile, will be conducted by the Delaware Lottery Office. However, players must purchase prepaid cards or a similar mechanism from a retail lottery agent to purchase Internet ticket games. That restriction does not apply to table games or video lottery games. The law also authorizes expansion of keno and the Delaware Sports Lottery at licensed retail establishments and provides cuts for racetrack fees. For now, the law only allows intrastate Internet gambling, but it provides that interstate gambling may occur in the future.

Timeline

In early May, the lottery named Scientific Games and partners WMS Industries and 888 Holdings as its primary Internet gambling vendor. Additional game-content and support-services vendors are expected to be named soon. Internet bingo, keno, video lottery games and casino table games are expected to launch no later than Sept. 30. Internet poker will not launch until the lottery has a liquidity-sharing agreement in place with another state. Draft Internet gambling regulations, meanwhile, will be published before the September go-live deadline.

Quick Facts

Gaming Activity Allowed

Internet Poker ✓
Internet Casino or Bingo ✓
Internet Lottery ✓

Regulation

Intrastate ✓
Interstate ✓

Operator Licensing

Monopoly ✓
Land-Based Incumbents
Open

Supplier Licensing

Non-Restricted ✓
Restricted

Regulator

Lottery ✓

Age Requirements

18 Years or Older (Lottery) ✓
21 Years or Older (Other) ✓

Advertising Permitted

Yes ✓
No

Tax Rates

33.9% Table Game Proceeds ✓
56.5% Video Lottery Proceeds ✓
Lottery Proceeds (Tax-Exempt) ✓

NEVADA {REGULATED}



Overview

Nevada is considered one of the smallest prospective Internet gambling markets in the United States given its population, approximately 2.6m residents, is among the lowest in the nation. A January 2011 study conducted by Applied Analysis, an independent economic consultancy, estimated that Internet poker alone could generate between \$2m and \$3.3m, annually, in state-governmental tax receipts.

Current Status

Interactive gaming is legal in Nevada. **Regulations** governing the offering of interactive gaming (at right) were implemented in December 2011. Additional regulations were implemented this year. Under them, operator licensure is open exclusively to Nevada-based terrestrial gaming operators. Supplier licensure, by contrast, is not exclusive to such operators. State law formerly prohibited interactive gaming from commencing without prior authorization from Congress or the U.S. Justice Department. But on Feb. 21, 2013, a bill, **AB114** (A, at right), was enacted that allows interactive gaming to commence without such authorization. Additionally, it permits the governor to execute interactive gaming agreements with other states. The bill also prohibits Internet gambling businesses that knowingly and intentionally took or facilitated U.S. bets after Dec. 31, 2006, from obtaining interactive gaming licensure for five years. On June 11, 2013, **AB360**, which, among other things, authorizes the governor to execute interactive gaming agreements with foreign governments, took effect.

Timeline

Interactive gaming went live on April 30. That day, Ultimate Poker, a subsidiary of Station Casinos, dealt the country's first hand of regulated, real-money Internet poker. Other operators are expected to launch in the coming months. Republican Gov. Brian Sandoval, meanwhile, has held preliminary talks with other states about interactive gaming agreements.

Quick Facts

Gaming Activity Allowed

Internet Poker ✓
Internet Casino or Bingo ✓
Internet Lottery ✓

Regulation

Intrastate ✓
(A) Interstate ✓

Operator Licensing

Monopoly ✓
Land-Based Incumbents ✓
Open ✓

Supplier Licensing

Non-Restricted ✓
(A) Restricted ✓

Regulators

Gaming Commission ✓
Gaming Control Board ✓

Age Requirement

18 Years or Older ✓
21 Years or Older ✓

Advertising Permitted

Yes ✓
No ✓

Tax Rate

6.75% of GGR ✓

NEW JERSEY {REGULATED}



Overview

New Jersey is considered one of the largest prospective Internet gambling markets in the United States. To date, it also the most populous state to legalize Internet gambling. An exact valuation of the market remains elusive, however. In late February, Republican Gov. Chris Christie modeled \$180m in Internet gambling tax revenue into his proposed FY 2014 budget. However, in late December 2012, the state Office of Legislative Services declined to offer a tax-revenue estimate, citing "a lack of data."

Current Status

An Internet gambling bill, **A2578**, was approved on Feb. 26, 2013. **P.L. 2013, c. 27** (at right), authorizes Atlantic City casinos or their affiliates to apply for licenses to operate gambling websites. Internet gambling revenue is effectively taxed at 17.5 percent or 20 percent. Internet gambling businesses that previously took or facilitated U.S. bets are allowed to apply for supplier licensure. The new law permits casinos to accept bets from players in other states and countries so long as such bets comply both with federal law and with the laws where players are located. The law will sunset after 10 years the state legislature does not re-authorize it. The Division of Gaming Enforcement published draft Internet gambling **regulations** on June 3. The regulations, among other things, outline proposed licensure requirements. The regulations are subject to a public comment period that will close on August 2. The comments will then be reviewed before final rules are adopted.

Timeline

The new law requires regulators to set a go-live date that is on or before Nov. 26, 2013. The go-live date will be announced at least 45 days prior to commencement. In order to participate in Internet gambling on the go-live date, interested suppliers must submit their license applications to the Division of Gaming Enforcement by July 29.

Quick Facts

Gaming Activity Allowed

Internet Poker ✓
Internet Casino or Bingo ✓
Internet Lottery ✓

Regulation

Intrastate ✓
Interstate ✓

Operator Licensing

Monopoly ✓
Land-Based Incumbents ✓
Open

Supplier Licensing

Non-Restricted ✓
Restricted

Regulator

Div. of Gaming Enforcement ✓
Casino Control Commission ✓

Age Requirements

18 Years or Older ✓
21 Years or Older ✓

Advertising Permitted

Yes ✓
No

Tax Rate

17.5% or 20% of GGR ✓

U.S. VIRGIN ISLANDS {REGULATED}



Overview

The U.S. Virgin Islands is considered one of the smallest prospective Internet gambling markets in the United States given its population, approximately 109,000 residents, is among the lowest in the nation. An exact valuation of the market, however, has not been made public by private or governmental sources.

Current Status

Internet gambling is legal on the U.S. Virgin Islands.

Regulations (at right) governing the offering of Internet gambling were implemented in November 2002. They authorize Internet gambling operators to offer Internet gambling both on the U.S. Virgin Islands and in other jurisdictions where the offering of such gambling is not prohibited. The U.S. Virgin Islands Casino Control Commission, however, has yet to prescribe which forms of Internet gambling are expressly permitted.

Timeline

The Casino Control Commission is not accepting license applications for Internet gambling and has not announced a timeline for when it will begin doing so. But in late January 2013, the Commission met with outside consultants and legal experts to discuss options for expanded gambling, including Internet gambling. Violet Anne Golden, a member of the Commission, said then that an Internet gambling licensing regime would be installed "sooner rather than later."

Quick Facts

Gaming Activity Allowed

Internet Poker (TBD)
Internet Casino or Bingo (TBD)
Internet Lottery (TBD)

Regulation

Intrastate ✓
Interstate ✓

Operator Licensing

Monopoly
Land-Based Incumbents
Open ✓

Supplier Licensing

Non-Restricted ✓
Restricted

Regulator

Casino Control Commission ✓

Age Requirement

18 Years or Older
21 Years or Older ✓

Advertising Permitted

Yes ✓
No

Tax Rate

1.5% of GGR ✓



Overview

California is considered the largest prospective Internet gambling market in the United States. A 2010 study conducted by LECG, an independent economic consultancy, estimated that Internet poker alone could generate between \$2.4bn and \$6.1bn in state-governmental tax receipts between 2012 and 2020. An exact valuation of the market remains elusive, however, given the various factors used to determine that valuation — the number of Internet poker licenses on offer, say, or the tax rate applied to an operator's Internet poker proceeds — have still to be settled upon by lawmakers.

Current Status

Two Internet poker bills — **SB51** (A, at right), introduced on Dec. 19, 2012, and **SB678** (B, at right), introduced on Feb. 23, 2013 — are pending in the Senate. They are sponsored by Democratic state Senators Roderick Wright and Lou Correa, respectively. The two bills have seen no action, as, separately, two influential tribal gaming coalitions have been busy hammering out a substitute Internet poker measure. On May 13, eight tribal governments publicized a **draft Internet poker proposal** (C, at right). It is supported chiefly by the Pechanga Band of Luiseño Indians and is intended as an alternative to SB51 and SB678. Separately, 15 tribal governments are imminently expected to release a similar draft Internet poker proposal. It is supported mainly by the San Manuel Band of Mission Indians and is intended as an alternative to SB51. Both tribal coalitions want, among other things, tribal governments to serve as Internet poker regulators.

Timeline

SB51 and SB678 are pending in the Senate Governmental Organization Committee, which Wright chairs. Hearing dates have not been set. The Pechanga and San Manuel draft proposals have not been introduced but may debut imminently, sources said.

Quick Facts

Gaming Activity Allowed

(A, B, C) Internet Poker ✓
 Internet Casino or Bingo
 Internet Lottery

Regulation

(A, C) Intrastate ✓
 Interstate

Operator Licensing

Monopoly
 (A, C) Land-Based Incumbents ✓
 Open

Supplier Licensing

Non-Restricted
 (A, C) Restricted ✓

Regulator

(A, C) Gambling Control Commission ✓
 (A, C) Department of Justice ✓
 (C) Tribal Gaming Regulators ✓

Age Requirement

18 Years or Older ✓
 (A, C) 21 Years or Older

Advertising Permitted

(A, C) Yes ✓
 No

Tax Rate

(A) 10% of GGR ✓
 (B, C) TBD ✓

MASSACHUSETTS {PENDING}



Overview

Massachusetts is considered one of the largest prospective Internet gambling markets in the United States given its population, approximately 6.5m residents, is among the highest in the nation. An exact valuation of the market, however, has not been made public by private or governmental sources.

Current Status

An Internet gambling bill, **S101** (A, at right), was introduced on Jan. 22, 2013. It is sponsored by Democratic state Sen. Jennifer Flanagan and would authorize the lottery to offer online games. The bill does not specify which games would be authorized. But if permitted, the lottery intends to offer a limited number of ticket games on a pilot basis, lottery officials told GamblingCompliance in late January. Other games, including keno, would come later. Separately, another bill, **S197** (B, at right), was introduced on Jan. 22. It is sponsored by Republican state Sen. Bruce Tarr and would authorize the state's prospective casino and slot-parlor license holders to offer Internet gambling. Although the bill does not specify which games would be authorized, it does specify which would be prohibited: (i) games that the lottery is already running and (ii) games that simulate or resemble slot machines. Meanwhile, Internet poker language was introduced as **Amendment No. 365** to **H3400**, the House budget bill, in early April. The amendment was sponsored by Republican state Rep. Bradley Jones and would have authorized up to three Massachusetts-based entities to operate intrastate poker websites. The amendment was removed from H3400 on April 24.

Timeline

S101 is pending in the Joint Committee on Consumer Protection and Professional Licensure. S197 is pending in the Joint Committee on Economic Development and Emerging Technologies. Hearing dates for the bills have not been set. The bills face no deadlines this year.

Quick Facts

Gaming Activity Allowed

Internet Poker
Internet Casino or Bingo
Internet Lottery

Regulation

Intrastate
Interstate

Operator Licensing

(A) Monopoly ✓
(B) Land-Based Incumbents ✓
Open

Supplier Licensing

Non-Restricted
Restricted

Regulator

(A) Lottery Commission ✓
(B) Gaming Commission ✓

Age Requirement

18 Years or Older
21 Years or Older ✓

Advertising Permitted

Yes
No

Tax Rate

(A) Tax-Exempt State Corp. ✓
(B) TBD ✓

PENNSYLVANIA {PENDING}



Overview

Pennsylvania is considered one of the largest prospective Internet gambling markets in the United States given its population, approximately 12.7m residents, is among the highest in the nation. An exact valuation of the market, however, has not been made public by private or governmental sources.

Current Status

An Internet gambling bill, **HB1235** (at right), was introduced on April 18, 2013, and is sponsored by Democratic state Rep. Tina Davis. Under HB1235, Internet gamg includes table games, slot-style games and other games as approved by the Pennsylvania Gaming Control Board. Any slot-machine licensee who obtained an "Internet gaming certificate" from the Board would be permitted to operate Internet gaming. The bill is silent as to potential restrictions on off-shore operators. Daily Internet gaming gross revenue would be subject to a 28 percent tax. Players must be at least 21 years of age to wager and accounts must be initially established on the premises of a licensed facility. Interstate or international play may be permitted if such wagers are (i) not inconsistent with federal law or regulation; (ii) not inconsistent with the law of the jurisdiction in which the player is located, including foreign jurisdictions; and (iii) play is conducted pursuant to an interstate compact or reciprocal agreement. Separately, a bill that would prohibit Internet gambling, **HB1404**, was introduced on May 15 and is sponsored by Republican state Rep. Paul Clymer.

Timeline

HB1235 is pending in the House Gaming Oversight Committee. But Republican Tina Pickett, the committee chairwoman, said in early June that the bill is not expected to move this year. Meanwhile, Republican state Sen. Robert Tomlinson has circulated draft Internet gambling legislation but, according to sources, is taking a "deliberative" approach and is in no hurry to introduce it.

Quick Facts

Gaming Activity Allowed

Internet Poker ✓
Internet Casino or Bingo ✓
Internet Lottery ✓

Regulation

Intrastate ✓
Interstate ✓

Operator Licensing

Monopoly ✓
Land-Based Incumbents ✓
Open

Supplier Licensing

Non-Restricted ✓
Restricted

Regulator

Gaming Control Board ✓

Age Requirement

18 Years or Older ✓
21 Years or Older ✓

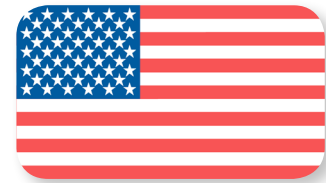
Advertising Permitted

Yes
No

Tax Rate

28% of GGR ✓

FEDERAL {PENDING}



Overview

The United States is considered one of the world's largest Internet gambling markets. A 2011 white paper released by the American Gaming Association estimated that Internet poker alone could generate around \$2bn in federal-governmental tax receipts, annually. An exact valuation of the market remains elusive, however, given the various factors used to determine that valuation — the number of participating states, say, or the tax rate applied to an operator's Internet poker proceeds — have still to be settled upon by lawmakers.

Current Status

An Internet gambling bill, **HR2282**, was introduced on June 6, 2013. It is sponsored by Republican Rep. Peter King of New York. The bill would establish a federal regime for regulating all forms of Internet gambling. It would also allow states already running Internet gambling to continue doing so under the federal regime. The Treasury Department would serve as federal regulator but would also be tasked with selecting qualified state and tribal bodies that would assist with Internet gambling regulation. The bill requires that U.S. state and tribal jurisdictions opt in to the federal regime before licensed operators can accept wagers from players located in those jurisdictions. A state or tribe is considered opted-in unless the appropriate state or tribal official notifies Treasury otherwise within 120 days of enactment. The bill would make it unlawful for any person to operate Internet gambling unless authorized in accordance with its provisions.

Timeline

HR2282 is pending in multiple House committees. It is not expected to move, sources said, and no hearing date has been set. A separate Internet poker bill sponsored by Republican Rep. Joe Barton of Texas is expected to debut this summer. Sources said the two bills are merely intended to keep Internet gambling on the congressional radar.

Quick Facts

Gaming Activity Allowed

Internet Poker ✓
Internet Casino or Bingo ✓
Internet Lottery ✓

Regulation

Intrastate ✓
Interstate ✓

Operator Licensing

Monopoly ✓
Land-Based Incumbents ✓
Open ✓

Supplier Licensing

Non-Restricted ✓
Restricted ✓

Regulators

Treasury Department ✓
Qualified State/Tribal Bodies ✓

Age Requirement

18 Years or Older ✓
21 Years or Older ✓

Advertising Permitted

Yes
No

Tax Rate

N/A

DEAD LEGISLATION

Hawaii

On Jan. 18, 2013, an Internet gambling bill, **SB678**, was introduced in the Senate. It was sponsored by Democratic state Sen. Malama Solomon and would have authorized the Hawaii Internet Lottery and Gaming Corporation to operate an intrastate and interstate gambling website. It died on March 1, after failing to meet a committee deadline.

Iowa

On Jan. 23, 2013, an Internet poker bill, **SSB1068**, was introduced in the Senate. It was sponsored by Democratic state Sen. Jeff Danielson and would have authorized Iowa-based casinos to operate intrastate and interstate poker websites. It died on March 8, after failing to meet a committee deadline.

Texas

On March 5, 2013, an Internet poker bill, **SB1103**, was introduced in the Senate. It was sponsored by Democratic state Sen. Leticia Van de Putte and would have authorized the Texas Lottery to participate in a future federal Internet poker regulatory program. A companion bill, **HB3529**, was introduced by Republican state Rep. John Kuempel on March 8. The bills died in session. The Texas Legislature adjourned on May 27 and will not convene again until 2015.

Illinois

On March 6, 2013, Internet gambling language was introduced as **Amendment No. 1** to **SB1739**, a Senate bill. It was sponsored by Democratic state Sen. John Cullerton and would have authorized Illinois-based casinos, electronic gaming machine operators and advance-deposit wagering firms to operate intrastate and interstate gambling websites. Amendment No. 1 was removed from SB1739 on May 1. A Cullerton spokesman told GamblingCompliance in mid May that Cullerton will push the Internet gambling language as a standalone bill "as soon as we get the votes."

Mississippi

On Jan. 14, 2013, an Internet gambling bill, **HB254**, was introduced in the House. It was sponsored by Democratic state Rep. Bobby Moak and would have authorized Mississippi-based casinos to operate intrastate gambling websites. It died on Feb. 5, after failing to meet a committee deadline.

U.S. INTERNET GAMBLING LEGISLATIVE PROGRESSION MONITOR

BILL	HOUSE		SENATE		ENACTED	SIGNED
	COMMITTEE	FLOOR	CONFERENCE	FLOOR		
CA SB51						
CA SB678						
HI SB768						
IA SSB1068						
IL SB1739				✓		
MA S101						
MA S197						
MS HB254	✓					
NV AB114	✓	✓		✓	✓	✓
NJ A2578		✓		✓	✓	✓
TX SB1103						
TX HB3529	✓					
PA HB1235	✓					
PA HB1404	✓					
FED HB2282	✓					

● Approved
 ● Pending
 ● Dead

U.S. INTERNET GAMBLING REFERENCE TABLE

JURISDICTION	DE	NV	NJ	USVI	CA	MA	PA	FED	HI	IA	IL	MS	TX
GAMING ACTIVITY													
Poker	✓	✓	✓	TBD	✓		✓	✓	✓	✓	✓	✓	✓
Casino/Bingo	✓		✓	TBD			✓	✓	✓		✓	✓	
Lottery	✓			TBD					✓				
REGULATION													
Intrastate	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Interstate	✓	✓	✓	✓			✓	✓	✓	✓	✓		✓
OPERATOR LICENSING													
Monopoly	✓					✓			✓				
Incumbents		✓	✓		✓	✓	✓			✓	✓	✓	
Open				✓				✓					
SUPPLIER LICENSING													
Restricted		✓			✓				✓	✓	✓		
Non-Restricted	✓		✓	✓			✓	✓				✓	
TAX RATE													
	33.9% of Table Game Proceeds; 56.5% of Video Lottery Proceeds	6.75% of GGR	17.5% or 20% of GGR	1.5% GGR	10% of GGR		28% of GGR		Tax-Exempt State Corp.	22%-24% of GGR	15% of fee-based GGR; 20% of non-fee-based GGR	5% of GGR	
REGULATOR													
	Lottery	Gaming Commission; Gambling Control Board	Div of Gaming Enforcement; Casino Control Commission	Casino Control Commission	Gambling Control Commission; Dept. of Justice; Tribal Gaming Regulators	Lottery Commission; Gaming Commission	Gaming Control Board	Treasury Dept.; Qualified State and Tribal Bodies	Internet Lottery and Gaming Corp.	Racing and Gaming Commission	Lottery	Gaming Commission	Lottery Commission; Federal Agency TBD

● Internet gambling regulated

● Internet gambling legislation pending

● Internet gambling legislation dead

INTERNET LOTTERY TICKET SALES ACTIVITY MONITOR

The failure of federal Internet gambling legislation to advance in 2012 has positioned lotteries to exploit Internet gaming opportunities. Multiple lotteries have expressed an interest in selling lottery games over the Internet. To date, only two, Georgia and Illinois, have begun selling tickets. Meanwhile, five others, Minnesota, New Hampshire, New York, North Dakota and Virginia, offer lottery subscription packages on their websites. The tables below highlight jurisdictions in which Internet lottery gaming is currently authorized and jurisdictions in which noteworthy developments have recently occurred.

INTERNET LOTTERY TICKET SALES LIVE

Georgia

Internet sales of some draw tickets commenced on Nov. 25, 2012. Unlike Illinois, Internet ticket sales did not require authorizing legislation; instead, state officials determined that Georgia law already gives the lottery authority over the manner of ticket sales. See, **G.A. Code Ann. §§ 50-27-9(18), 50-27-10(2)**. The sale of draw tickets is “phase one” of the lottery’s Internet gaming strategy, lottery officials said. The lottery hopes to implement “phase two” sometime in summer 2013, although no firm timeline has been set. “Phase two” is likely to consist of lottery games, such as keno, as well as a new type of instant ticket-based game, officials said.

Illinois

On March 25, 2012, the lottery began selling certain draw tickets, such as Mega Millions, over the Internet. The sales commenced pursuant to a pilot program, originally approved in 2009. The Internet sales pilot program must last for at least 36 months, but no longer than 48 months. Any changes to the pilot program, including the addition of new games or an extension of time, require express legislative authorization. **20 ILCS 1605/7.12**.

Authorized Games

Draw Tickets ✓
Other Lottery Games ✓

Payment Methods

Pre-Paid Card Required ✓

Authorized Games

Draw Tickets ✓
Other Lottery Games

Payment Methods

Pre-Paid Card Required

INTERNET LOTTERY TICKET SALES ACTIVITY MONITOR

NOTEWORTHY INTERNET LOTTERY DEVELOPMENTS

Delaware	In June 2012, the Delaware Gaming Competitiveness Act was signed into law. One of the law's provisions allows for Internet ticket games. Internet ticket games are lottery games "in which the winner is decided by chance through mechanical or electronic means," including keno but not including video lottery, table games and other forms of Internet lottery. 29 Del. C. §4803(i)-4803(x) . A go-live date for ticket sales has not been set.
Florida	In mid January 2013, two identical bills, SB266 and HB275 , were introduced in the Florida Legislature. The bills would have granted the Florida Lottery the ability to implement Internet ticket sales, after adopting the appropriate rules. Both measures died in committee on May 3.
Kentucky	On March 22, 2013, the Kentucky Lottery Corporation board of directors approved a plan to offer Internet-based sales of lottery tickets. In a press release , Arch Gleason, the lottery's president and chief executive, stated that the lottery planned to offer draw games, like Powerball and Mega Millions, before gradually moving into simulated scratch and instant-win games. Internet sales could be fully implemented in FY 2015, according to the release. Projected sales are \$4.5m in the first year, growing to an estimated \$31m by FY 2020.
Maryland	On Sept. 19, 2012, the Maryland Lottery issued a report on a proposed platform and regulatory structure for Internet lottery sales. In the report, the lottery noted its desire to sell traditional lottery products over the Internet. However, the lottery's plan prompted concerns from retailers, causing \$400,000 originally budgeted to develop a website in FY 2014 to be removed from the lottery's budget. In addition, a bill to prohibit the lottery from selling tickets over the Internet, SB272 , passed the Senate in late February but failed to come up for a vote in the House before the session ended on April 8, 2013.
Massachusetts	On Dec. 13, 2012, the Online Products Task Force, composed of state and industry representatives, issued a report that made several recommendations as to Internet gambling. Among them was a recommendation to allow the lottery to sell products over the Internet, including ticket games. Pursuant to the report, S101 is currently pending. The bill would allow the lottery to conduct lotteries "online and over the Internet." The bill's sponsor, Democratic state Sen. Jennifer Flanagan, said it is intended as a "conversation starter" and is not final. Separately, S197 , a measure to allow the state's prospective casino and slot-parlor license holders to offer Internet gaming, is also pending.
Michigan	On Jan. 8, 2013, the Michigan Lottery issued an RFP seeking a technology partner to provide "iLottery services." The planned expansion would include instant games, keno and bingo, as well as draw-ticket sales. The lottery's plan has sparked pushback from Michigan gaming interests, including lottery retailers, as well as state officials. In early April, companion measures, SB294 and HB4531 , which would prohibit Internet lottery sales, were introduced. Since then, neither bill has moved. Meanwhile, the Legislature in late May debated iLottery as part of broader talks on the state budget. Ultimately, no funds for iLottery implementation were set aside in the budget. The lottery is continuing to work with the Legislature on a move-forward solution for iLottery, a lottery spokesperson said in early June.
New Jersey	There are currently two bills pending in New Jersey to allow for lottery ticket sales over the Internet: S56 would permit the lottery to conduct games over the Internet, and A1073 would direct the state Lottery Commission to permit the purchase of lottery tickets by electronic means. Similar bills have been introduced before, without significant movement.
Oklahoma	On Jan. 17, 2013, Republican state Sen. Clark Jolley introduced SB955 , which, among other things, would have prohibited a lottery game played using the Internet without purchase of a paper ticket from a lottery retailer on that retailer's premises. The measure passed the Senate in February, only to be stopped in the House in late April.

INTERNET LOTTERY TICKET SALES ACTIVITY MONITOR

NOTEWORTHY INTERNET LOTTERY DEVELOPMENTS

Pennsylvania	A private management contract between Pennsylvania and lottery vendor Camelot was agreed in January and included provisions covering Internet gaming. In mid February, however, the contract was rejected by state Attorney General Kathleen Kane. Meanwhile, Republican State Sen. Robert Tomlinson is expected to introduce legislation that, among other things, would prohibit the lottery from offering Internet games that simulate casino-style gaming.
Vermont	In May 2012, language requiring the lottery to study “the option of allowing the sale of lottery tickets online” was enacted as part of the state’s budget bill . Findings were delivered to state officials in mid January 2013. Chiefly, the lottery recommended that the state oppose any federal moves that would hinder it or other state lotteries from expanding online. The lottery also recommended that the state further study Internet lottery ticket sales and Internet gaming before moving ahead with its own online program.

NOTE:

This is not an exhaustive list of all lotteries that are considering Internet gaming. Officials in multiple states not listed here have expressed an interest in exploring Internet gaming. This list is meant only to highlight various developments, particularly: (i) the issuance of a tender; (ii) the conduct of a state-mandated study; or (iii) the formal consideration of legislation or regulations.

STATES WHERE INTERNET GAMBLING IS PROHIBITED

Currently, nine states have express prohibitions targeting Internet gambling. In Texas, a bill is pending that would exclude "Internet poker" from the proposed definition of "poker" or "poker game." Prohibitions vary significantly from state to state, with some making exceptions for various activities. While most states do not have express prohibitions, general bans on gambling may be applied to Internet gambling. For this report, Internet gambling restrictions that may be included in state administrative regulations or tribal-state gaming compacts have not been considered.

ILLINOIS

ENACTED: 1997

The state of Illinois makes it a felony to knowingly establish, maintain or operate "an Internet site that permits a person to play a game of chance or skill for money or other thing of value by means of the Internet or to make a wager upon the result of any game, contest, political nomination, appointment, or election by means of the Internet." **70 ILCS 5/28-1(a)(12)**. Lotteries conducted by the state in accordance with the Illinois Lottery Law, **20 ILCS 1605/7.12**, are exempted from this prohibition. **70 ILCS 5/28-1(b)(6)**.

MONTANA

ENACTED: 2005

Except as specifically authorized by the state, all forms of gambling are prohibited, including Internet gambling. **MCA 23-5-112(19)(e) and (21)(a)** and **MCA 23-5-151**. However, that prohibition does not include: (1) the operation of a simulcast facility or advance deposit wagering as explicitly licensed under **MCA 23-4**; (2) any state lottery operations expressly noted in **MCA 23-7**; and (3) Indian gaming conducted on Indian land in conformity with federal law. **MCA 23-5-112(21)(b)**. Conducting a fantasy sports league or selling raffle tickets over the Internet is expressly barred. **MCA 23-5-802** and **MCA 23-5-413(3)(b)**.

INDIANA

ENACTED: 2005

The Indiana Criminal Code provides that "An operator who knowingly or intentionally uses the Internet to engage in unlawful gambling... in Indiana; or...with a person located in Indiana; commits a Class D felony." **IC 35-45-5-2(c)**. A 1998 State Attorney General Opinion discusses the scope of illegal Internet gambling and Indiana state laws. The opinion provides further clarity not only on how a gaming operator may violate the law by utilizing the Internet but how an individual gambling in Indiana may also violate the law.

NEVADA

ENACTED: 2001

Compared to the other states that maintain prohibitions against some form of Internet gambling, Nevada's are the most complex. Generally speaking, unless specifically provided in another Nevada statute, **NRS 465.092** and **465.091** makes Internet wagering a misdemeanor. There are multiple exceptions to the statute, including exceptions for Internet poker, mobile sports betting and pari-mutuel wagering.

LOUISIANA

ENACTED: 1997

Gambling by computer, meaning "the intentional conducting, or directly assisting in the conducting as a business of any game, contest, lottery, or contrivance whereby a person risks the loss of anything of value in order to realize a profit when accessing the Internet, World Wide Web, or any part thereof by way of any computer, computer system, computer network, computer software, or any server" is prohibited in Louisiana. **LARS 14:90.3(B)**.

OREGON

ENACTED: 2001

Oregon's Internet gambling ban prohibits financial transactions involving Internet gambling. In sum, a person involved in an Internet gambling business cannot knowingly accept credit cards, ETF transfers, checks, or other financial instruments in connection with the participation of a person in unlawful gambling over the Internet. **ORS 167.109**.

STATES WHERE INTERNET GAMBLING IS PROHIBITED

SOUTH DAKOTA ENACTED: 2000

Under South Dakota law, no person may establish a location or site in the state “from which to conduct a gambling business on or over the Internet or an interactive computer service.” **SDCL 22-25A-8**. However, that prohibition does not apply to South Dakota Gaming Commission or the state lottery as to activities expressly authorized. **SDCL 22-25A-15**.

UTAH ENACTED: 2012

Utah prohibits all forms of gambling. Utah Criminal Code, **76-10-1101** and **76-10-1002**, states that anyone who “intentionally provides or offers to provide any form of Internet or online gambling to any person” in Utah is guilty of a misdemeanor. The law provides an exemption from liability for Internet service providers and other similar entities that store, transmit or route data to facilitate the distribution of content over the Internet, but that do not exercise control over such content.

WASHINGTON ENACTED: 2006

It is a felony in Washington to knowingly transmit or receive gambling information via the Internet, or to knowingly install or maintain equipment for the transmission or receipt of gambling information, with the exception of licensed pari-mutuel wagering on horse racing. **RCW 9.46.240** and **WAC 206-49**. Of note, the legislative comments to the law state “It is the policy of this state to prohibit all forms and means of gambling, except where carefully and specifically authorized and regulated.”

GLOSSARY OF KEY TERMS

Dead: Internet gambling legislation is no longer pending.

GGR: Gross gambling revenues.

Land-Based Incumbents: Operator licensing is open only to land-based incumbents in that jurisdiction.

Monopoly: Operator licensing is open exclusively to a state-run entity or concessionaire.

Non-Restricted: Supplier licensing is not expressly closed to applicants that took or facilitated the taking of U.S. wagers before applying for a license.

Open: Operator licensing is open to most or all applicants.

Operator: A gambling business that transacts directly with consumers.

Pending: Internet gambling legislation is pending.

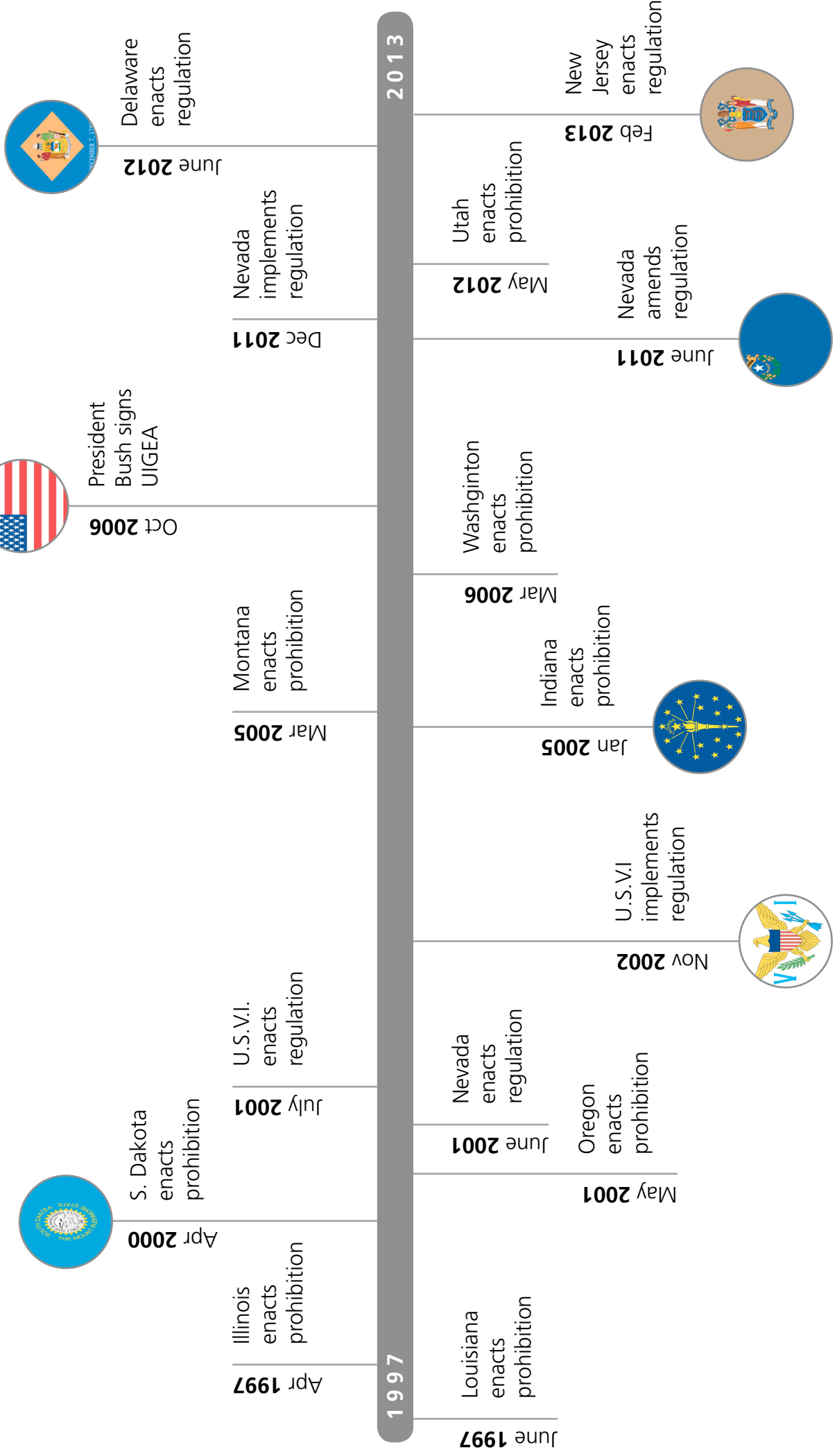
Regulated: Internet gambling is regulated.

Restricted: Supplier licensing is expressly closed, either temporarily or indefinitely, to applicants that took or facilitated U.S. bets before applying for a license.

Supplier: A business that provides gambling software to an operator.

Third-Party Service Provider: A business that provides payments, geo-location, identity-verification or other ancillary services to an operator.

U.S. INTERNET GAMBLING REGULATORY TIMELINE



APPENDIX: 2012 U.S. INTERNET GAMBLING REFERENCE TABLE

JURISDICTION	DE	NV	USVI	NJ	FEDERAL	REID-KYL	CA	HI	IA	IL	MA	MS	PA
GAMING ACTIVITY													
Poker	✓	✓	TBD	✓	✓	✓	✓	✓	✓		✓	✓	✓
Casino/Bingo	✓		TBD	✓	✓			✓				✓	✓
Lottery	✓		TBD		✓			✓					
REGULATION													
Intrastate	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Interstate	✓		✓	✓	✓			✓	✓	✓			
OPERATOR LICENSING													
Monopoly	✓							✓		✓			
Incumbents		✓		✓	✓	✓	✓		✓	✓		✓	✓
Open			✓		✓						✓		
SUPPLIER LICENSING													
Restricted					✓	✓	✓	✓	✓		✓		
Non-Restricted	✓	✓	✓	✓	✓					✓		✓	✓
TAX RATE													
	33.9% of Table Game Proceeds; 56.5% of Video Lottery Proceeds		1.5% of GGR	15% of GGR	2% of Customer Deposits	16% of Internet Poker Receipts	10% of GGR	Tax-Exempt State Corporation	22%-24% of GGR	Tax-Exempt State Corporation; Internet Gaming Affiliates TBD	25% of GGR	5% of GGR	45% of GGR
REGULATOR													
Lottery		Gaming Commission; Gambling Control Board	Casino Control Commission	Div. of Gaming Enforcement; Casino Control Commission	Treasury Secretary; Commerce Secretary; Qualified State/Tribal Agencies	Commerce Secretary; Qualified State/Tribal Agencies	Gambling Control Commission; Dept. of Justice	Internet Lottery and Gaming Corporation	Racing and Gaming Commission	Lottery	Gaming Commission	Gaming Commission	Gaming Control Board

● Internet gambling regulated

● Internet gambling legislation pending

● Internet gambling legislation dead

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