Pennsylvania, 10 Other States in Line for Internet Gambling

January 14, 2014

Pennsylvania, West Virginia and nine other states might approve online gambling this year or next, says the founder of a major Internet gambling consulting company.

"There's intense competition in that part of the country," says Fred Gushin, managing director and founder of Spectrum Gaming Group, a New Jersey company that analyzes trends for casino-related clients and government agencies around the world.

New Jersey, Delaware and Nevada launched online gambling last year.

"It's something that will be considered not only by Pennsylvania but by all the other states that have gaming because they ultimately can't afford not to," Gushin says. He spoke last week at a webinar presented by LexisNexis and Spectrum.

The possibility of Internet gambling has generated much discussion in the Pennsylvania Legislature, says Bill Thomas, executive director for the House Gaming Committee under minority chairman Rep. Rosita Youngblood, D-Philadelphia. A study of gambling, including the potential impact of Internet wagering, is due by May. A bill proposed last year by Rep. Tina Davis, D-Bucks County, could be the blueprint for online gambling in Pennsylvania, Thomas says.

Gushin predicts that if online gambling is successful in Nevada, New Jersey and Delaware, other states will "jump into this bandwagon as fast as they can.

"Every state needs money," he says.

Like this story? If so, subscribe to Government Technology 's daily newsletter .

A Spectrum affiliate estimates New Jersey's online gaming revenue will be about $400 million this year. Gaming officials will release the state's first report of online revenue this week.

Online gambling, especially poker, was huge throughout the country until "Black Friday" in April 2011, when federal investigators shut down American operations of three major websites based overseas. The operators were accused of violating U.S. banking laws.

The rush to legalize online gambling in the United States started after the Justice Department released a December 2011 opinion that the federal Wire Act does not prohibit Internet sales of lottery tickets and other forms of gambling already legal in a state, except for sports betting. That reversed a decades-long interpretation of the law.

New Jersey, where all forms of casino gambling became available online in November, already has approved 148,000 gambler accounts, although Gushin says several thousand might be the result of players setting up accounts in two or more casinos. Nevada allows only poker to be played online; Delaware allows online versions of all casino gambling, including slots.

Players who gamble online must be in the state where they bet. Geo-location software at the casino site confirms where a player is.

Gushin predicts several states will agree to share customers across state lines, comparable to multistate lottery games Powerball and MegaMillions. Nevada and Delaware have relatively small populations, which can limit the range of games offered. Pennsylvania and other states with large populations would be attractive members of such compacts, but states will have to agree on licensing standards.

Gushin cites other issues for online gambling:

"Know your customer" or KYC: Setting up a rigorous registration process to ensure that each player identity is unique, verified and of legal age

Fraud prevention: Establishing safeguards against money-laundering, chip dumping and collusion between players

Barring problem gamblers: He sees this as a "very significant" issue as online gambling expands

Who's in charge: Lotteries, which are primarily marketing agencies, and gaming commissions, which are responsible for overseeing land-based casinos, are vying for who will regulate online gambling, he says.

"Regulators have to keep pace with technology," Gushin says. " That's been a problem in the past, but Internet gaming forces the issue."

http://www.govtech.com/state/Pennsylvania-10-Other-States-in-Line-for-Internet-Gambling.html