



2015 Annual Report to the Louisiana
Legislature on Gaming Technology



presented by

The Louisiana Gaming Control Board



State of Louisiana
Gaming Control Board

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Mr. President, Mr. Speaker and
Members of the Louisiana Legislature

Enclosed you will find the 1st annual report of the Louisiana Gaming Control Board regarding technology in the gaming industry and its impact to Louisiana. This report is submitted in accordance with Act 130 of the 2014 Regular Legislative Session.

Advances in gaming technology in many ways mirror the technological changes we experience in every aspect of our daily lives. The report provides insight into evolving technology regarding current forms of legalized gaming in Louisiana, internet gaming (iGaming) trends around the country, iGaming revenue trends, as well as legal and regulatory considerations for Louisiana.

The technology advances that Louisiana has experienced over the years have largely been positive. Adoption of new technology must be measured to minimize risk to the industry as well as the public. We must also ensure that regulatory agencies have the necessary technical specialization to effectively regulate licensees.

The Gaming Control Board is committed to the thorough regulation and control of gaming activities under its jurisdiction in a manner which instills public confidence and ensures that regulated activities are free from criminal and corruptive elements. Additionally, the Board strives to foster a regulatory environment that provides optimum economic opportunity for both gaming operators and the citizens who are employed and / or benefit by this industry.

Respectfully submitted by:

The Louisiana Gaming Control Board

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Acknowledgements

The Board wishes to acknowledge those who made special contributions to this report:

Louisiana State Police, Gaming Enforcement Division

- Major Michael Noel
- Lieutenant Chris Baron
- Lieutenant Wade Savoy
- Jeff Traylor, Audit Director
- Mike Evans, IT Supervisor
- Norbert Courville, IT Supervisor
- Jonathon Dartt, IT Specialist

Department of Justice, Office of the Attorney General, Gaming Division

- Clifford Strider, Assistant Attorney General
- Suzanne Z. Bourgeois, Assistant Attorney General
- Dawn Himel, Assistant Attorney General

Introduction

As Louisiana enters its 23rd year of legalized and regulated gaming, technology plays an ever increasing role. The impact of technology not only affects the gaming industry as a whole, but technology also impacts the agencies responsible for gaming regulation in their efforts to ensure the integrity of games and the industry.

As directed by the Louisiana Legislature in Act 130 of the 2014 Legislative Session, this report provides information regarding technological advances in the gaming industry, updates on legalized internet / online gaming and unregulated gambling, as well as updates on relevant legal issues. The report does not offer recommendations on changes to public gaming policy in Louisiana. Rather its purpose is narrowly designed to document the current state of gaming technology, identify trends, and detail the experiences of technologically-based gambling in other gaming jurisdictions.

The evolution of the gaming device and the ability and methods to deliver the gaming experience to patrons have greatly changed over the past 20 years. From mechanical slots to server based gaming to mobile gaming to internet gaming; the gaming industry and regulators must be vigilant in their efforts to stay ahead of the curve. It requires specialization and understanding of technology as well as a financial investment which most of the time is the greater hurdle.

Just as we have seen the evolution of gaming hardware and software, game content has evolved and continues to push new boundaries. The latest discussion in the gaming industry regarding games and revenue revolves around the industries efforts to attract the next generation (21 – 30 year olds) of slot player. Traditional slot machine games have less appeal to the younger gambler and that is beginning to have an impact on gaming revenue. What games are they interested in and how younger gamblers interact at casinos will continue to be a major discussion point.

With a re-interpretation of the federal Interstate Wire Act of 1961 issued by the U.S. Justice Department in 2011, three states have legalized some form of internet / online gaming. This report provides some insight into the technology and regulatory issues experienced by each state. An analysis of the revenue generated by each state is also included since it should be a relevant component of future policy decisions in Louisiana. One justification for the legalization of internet / online gaming was to curb the prevalence of illegal and unregulated online gaming by offering the same product that is regulated and offers greater protections to the interested gambler.

Finally, it's important to have an understanding of current legal issues and potential regulatory considerations in determining future gaming policy and law in Louisiana.

Evolution of Gaming Technology and its Impact on Louisiana

Video Poker

Over the last few years, Video Gaming Devices (VGDs) have evolved from bulky monitors with low resolution graphics on soldered chips (EPROMS) to dual LCD screens with high-end graphic cards and solid state flash drives delivering animated content. In some jurisdictions, the communication methods used to monitor and regulate play have advanced from a once-a-day download of meters and exceptions via dial-up modems to a near real-time response utilizing broadband solutions. Because of the newer VGDs and faster communication methods to and from the central system, Server Supported Game Systems (SSGS) have become more feasible to implement. This opens the door to more robust reporting features and an even greater integrity of the game. Industries hope is that new and engaging content will lead to increased participation and the return of patrons to video poker.

Our independent testing lab, Gaming Laboratories International (GLI), issues testing standards that provide guidelines for the potential benefits and issues involved in implementing new technology. Two such benefits being utilized in other distributed Video Poker markets are Ticket In Ticket Out (TITO) and player tracking. TITO facilitates player movement from one VGD to another by issuing tickets that patrons may redeem by inserting in other VGDs located at the establishment. This increases security at the machine level and reduces the occurrence of theft. Player tracking helps to develop customer loyalty and could provide for more consistent and stable revenue for the establishments.

In order to be ready to implement these advanced features, changes to the video gaming device communication protocol are necessary. The Louisiana State Police Gaming Division is in the process of converting to what is known as the Slot Accounting System (SAS) protocol. This protocol is widely considered the global standard for device communication. Updating the protocol has spurred development from new VGD manufacturers for the Louisiana market which in turn gives players new choices in game play. The Gaming Division is also looking ahead to the next standard, G2S (Game To System). G2S is an open standards protocol that will help to eliminate inefficiencies caused by incompatible systems and lead to more efficient and effective gaming operations. Although G2S is an evolving protocol, it is currently being implemented in other limited jurisdictions such as Oregon and territories in Canada.

Casino Gaming

Server Supported Gaming System (SSGS) technology allows the casino to convert slot machine themes remotely from a server loaded with approved game themes. Assuming the slot is in an idle state for a specified period, casinos can download content from a server secured within the casino IT room to connected slot machines on the gaming floor. Not all game manufacturers are approved for the functionality so SSGS is not implemented floor wide at this time at any casino. This technology is different from true Server Based Gaming (SBG) because the randomness of the game play is still controlled at the game level once the content is downloaded. Only approved personnel are able to initiate downloads and there is a verification that occurs between the server and the game once the content is downloaded to ensure the software installed properly at the game. Benefits to the casino are increased flexibility to change out game themes and maximizing game availability for patrons which may amount to increased revenue.

Regulatory agents can complete software certifications in the casino IT room with the assistance of IT personnel instead of verifying the game software directly at the cabinet on the gaming floor with slot technicians. With these systems, the focus is to regulate the procedure for installing themes on the server and complete inspections to ensure the software remains in approved status. In one implementation, the theme remains “locked” for downloading until a regulator approves the software. Another procedure requires sealing the DVD drive where the installation media is inserted along with all other read/write ports on the computer. This is a more efficient process with regard to software validation than physically inspecting the game software on each device.

Electronic Table Game Systems (ETGS) come in two variations. One version is totally automated and the other variation utilizes a dealer. The Division approved electronic table games simulating Roulette, Craps and Black Jack for live play in Louisiana. The systems which do not utilize dealers are configured with a main computer connected to individual player stations which control credit acceptance, game initiation and play, winning distributions, and all accounting and event information. Patrons sit at the player stations to view individual game information for each round. The dealer controlled systems utilize electronics as a part of the game’s operation and may generate, collect and store game information from both the system and patrons. Player stations may also be used with dealer controlled ETGS. One benefit to the casino is an increase in the “hands per minute” due to the automation of the functions.

The ETGS have software which controls randomness and security of game play that the Division certifies and seals in a manner similar to traditional slot machines. The standards for these systems also require authentication between the player stations and the main computer so only approved stations can interface with the main server. Accounting and security event records can be accessed and reviewed for game play and payout history.

Multi-level Slot Machine Progressives are an evolution of Legacy progressives which function by starting at a base amount and adding a portion of the amount wagered to that base amount. The progressive jackpot is awarded based upon a certain combination of symbols. Game manufacturers have incorporated more multi-level progressive tiers on slot machines with some games offering award levels of seven or more which can be linked across a bank of machines. There are also “mystery bonus” games which look like a progressive and award a jackpot based upon a random trigger of the amount of coins inserted versus a winning hand. For example, the award will increment between \$250 and \$450 and is based upon the 350th coin wagered since the last time the award was won. Progressives are also being spread out across the floor in different locations of equal denomination banks. The games are all linked to a central progressive controller located in the IT room or in secure locations on the gaming floor. Regular non-progressive payouts are handled at the game but the progressive award is accounted for and sent to the winning game by the controller. Offering more progressive awards may result in increased slot play and the majority of casino revenue is a result of slot machine play.

From a regulatory standpoint, in addition to certifying the slot machine software, the Division certifies and seals the progressive controller software to ensure compliance. In some cases, additional locks and camera coverage may be required. Routine inspections are completed to ensure the devices remain in compliance with rules and internal controls.

Slots and Social Gaming represent recent efforts by the gaming industry and manufacturers to appeal to a younger demographic. Social games have the characteristics of involving multiple players with each player being aware of the others activity and are based on a social platform such as Facebook. Games can be integrated within the application and played by users with login or username credentials for the given application. They are also available for download directly from a library such as Google Play or App Store. One version is IGT’s DoubleDown Casino which offers free slot play, video poker, blackjack, and roulette in a virtual environment where no real money is wagered or lost. When an account is created, it is normally funded with virtual money. Once the initial funds are depleted, you can use real money to purchase additional virtual chips or credits. Friends can be notified that you have joined using social media and invited to play in a tournament type setting. The apparent lure is based on natural competitive drive and chance of winning or reaching a higher level than your friend or opponent. Other games attract play based upon creating and maintaining a virtual item and notifying friends and players of your status on a regular basis to encourage competition. Some social games may offer players prizes, lives, or increased opportunity to advance based upon spending small amounts of real money. When that small amount is multiplied by millions of users, huge amounts of profits can be made by developers. Casino operators are researching how social gaming and the casino environment can be integrated. At some point, it may be possible to play games

on smartphones using virtual money outside the casino and, upon entering a legal casino, switch to playing with real money. The casino could potentially set up a local network and only grant network access to persons who have been properly identified. New games may add a skill element of play more closely to how home and arcade based video games function. These concepts are being examined in an effort to attract younger patrons. Casino operators can additionally start connecting with social gamers in their area and offer incentives for online guests to come in and play on the casino floor.

From a regulatory perspective, all games are in some way controlled by a software program so traditional methods of verification will remain in place for games on the floor. The mobile capabilities of social gaming pose a challenge but the controls would likely be in the authentication process for users of tablets and smartphones. Using technology to verify who is playing and determining their location will be mandatory to ensure the integrity. Regulators and testing laboratories will have to be involved in the design phase to ensure the games are compliant with laws.

Internet Gaming / Gambling

Legalized Internet Gaming (iGaming)

Internet Gaming is legal in approximately 85 countries worldwide. There are approximately 3000 online gambling sites that are owned by 665 companies. Approximately \$30 Billion per year is bet online worldwide.

U.S. Federal law limits online gambling. Unlawful Internet Gambling Enforcement Act of 2006 (or UIGEA) "prohibits gambling businesses from knowingly accepting payments in connection with the participation of another person in a bet or wager that involves the use of the Internet and that is unlawful under any federal or state law."

The Interstate Wire Act of 1961, often called the Federal Wire Act, is a United States federal law prohibiting the operation of certain types of betting businesses in the United States.

In September 2011, the US Department of Justice released to the public a formal legal opinion on the scope of the Act concluding, "interstate transmissions of wire communications that do not relate to a 'sporting event or contest' fall outside the reach of the Wire Act".

The U.S. Fifth Circuit Court of Appeals ruled that the Wire Act prohibition on the transmission of wagers applies only to sports betting and not to other types of online gambling. (*Mastercard International Inc. Internet Gambling Litigation*)

The Supreme Court has not ruled on the meaning of the Federal Wire Act as it pertains to online gambling.

Delaware

Delaware became the first state to allow a broad spectrum of internet gambling (iGaming) by passing the Delaware Gaming Competitiveness Act of 2012. Online slot machine play and casino games such as blackjack and poker are accessible through each Delaware casino's website and controlled centrally by the state Lottery Office. Delaware lottery tickets also will be offered for sale on a state-run website.

The state launched online gambling in November 2013 through an association with three casinos and the internet service technology provider. There are three horse racetrack casinos that are licensed for internet gaming: Dover Downs, Delaware Park, and Herrington. 888 Company is the technology provider for the casinos and the state internet gaming websites and they are partnered with Scientific Games (SGI). Delaware State Lottery receives all net gaming revenues and distributes the revenue to casinos,

888 Company, and SGI on a monthly basis. All iGaming is PC based but has technology that links a required cell phone with the location of the PC. Delaware has plans to launch mobile gaming by the summer of 2015.

Delaware has had no known issues with Geo Fencing (using technology to ensure players are located within the borders of Delaware) or Age Verification as it relates to iGaming. 888 Company blocks accounts of potential customers to prevent play if these types of issues arise and it will be reviewed by Delaware State Lottery. Delaware feels that in their experience, it is more difficult to commit a crime online than in a brick and mortar casino. Their iGaming regulations require bank account information, one cell phone per account, copy of utility bills, deposit limits, etc., which are more restrictive than traditional casinos. Delaware has had no known criminal cases resulting from iGaming. Delaware is in discussion with New Jersey and Nevada to engage in interstate agreements, but no agreements have been reached at this time.

Nevada

On December 22, 2011, the Nevada Gaming Control Board approved online gaming regulations for the state. These regulations allowed for the licensing of online poker operators only. These regulations made Nevada the first state to legalize online poker. Licensees offer online poker to anyone physically located within the State of Nevada.

In February 2013, Nevada enacted legislation (Assembly Bill 114) which allows for interstate online gaming. This law also authorizes Nevada to enter into interstate agreements with other states to offer internet poker to their residents.

Currently Caesars and Southpoint are the only two casinos that host an internet Poker site allowing pay for play. Stations Casino was the first casino licensed for internet poker, but they ceased operations. Caesars uses WSOP to operate their poker website and Southpoint Casino uses Real Gaming to operate their poker website.

Nevada's Enforcement Division focuses on compliance investigations, criminal investigations, and complaints. Initially when Nevada began internet poker, they received several complaints consisting of patron disputes. One example of a patron complaint is that all players have to log in to the website which requires an internet connection. The rules/internal controls for the casinos include that any wager made by a player is automatically forfeited to the pot if the player loses internet connectivity for any reason. This rule is in place to avoid a patron making a wager and deciding to change their mind by terminating their internet connectivity and requesting a refund of their wager. The Nevada Gaming Commission received multiple complaints by patrons that their connection to the site was lost for unknown reasons and they subsequently lost their money from the hand they were playing. Nevada's internet poker structure is set up so the house gets a 10% rake of every pot and the state receives 6.5% of that rake. Therefore, regulators do not feel that the casinos have a motive to kick people off the site

in the middle of a hand since the pot is already established and the casinos take will not change. In fact, when players are kicked out of a hand, this could have a negative effect on the size of the pot since there are less players betting.

Today, the Nevada Gaming Commission receives complaints from potential customers that complain they can't access the site. Those complaints are referred back to the casino and usually involve customers that are too close to the state border. The casino uses geo-fence software that eliminates potential customers that are within 5 miles of the state border in rural areas. The Nevada Gaming Commission has not had any known issues of underage gambling. One complaint a casino received was from a parent that claimed gambling losses due to his underage son using his identity. The complainant wanted his losses refunded by the casino. The casino advised the complainant that the next step would be to forward his complaint to the Gaming Commission at which time he rescinded the complaint. Regulators believe that the complainant was using his child as an excuse for his gambling losses. If the Gaming Commission had received the complaint, they could have cited the father for not protecting his passwords and sensitive information from his underage son.

Other regulatory complaints involve patrons complaining about their account being frozen and not available to play. All of those complaints related to the casino blocking the account due to suspicious activity such as chip dumping or suspicious use of funds by putting money up and quickly taking it down. All internet operators have safeguards built into their software to detect suspicious activity. Both casino operators chose to use tight restrictions in their software to protect the integrity of the game.

The Gaming Commission documented approximately 200 criminal incidents since they began internet poker. Most of these incidents involve one group of criminals tied to the same criminal case. This criminal group engaged in credit card fraud and identity theft. The Gaming Commission made a case against these individuals and has not had many problems since that case. There was a case in which a complainant disputed credit card charges on his account, claiming identity theft. This complainant was later charged and found guilty of filing a false claim to cover up gambling debts.

Nevada only authorizes U.S. currency in their casinos and on the internet. Nevada does have an interstate agreement with New Jersey to share customers across state lines, but they have not worked out all of the details. Some of the issues include: where to house the servers, who will operate the website, who will regulate the operator, and who will have jurisdiction over criminal offenses. Nevada and New Jersey are concerned with maintaining their state rights and not allowing the federal government to become involved if they do not address all issues.

New Jersey

In February 2013, New Jersey became the third state to allow its residents to bet on games and sporting events online. New Jersey went live with internet gaming November 25, 2013. The new law set a 10-year trial period for online betting, and raised the taxes on the Atlantic City casinos' online winnings from 10% to 15%.

New Jersey's gaming structure is made up of a Casino Control Commission, the Attorney General's Division of Gaming Enforcement (DGE, includes audit, tech, and investigations), and the New Jersey State Police (criminal investigations in the casino or in the footprint of hotel and casino).

New Jersey publishes an annual report on their website that gives a complete synopsis of the first year of internet gaming. Internet gaming operations in New Jersey have continued to evolve throughout the year. There are now approximately 423 authorized games. Since Internet gaming operations began in late November 2013, Internet gaming permit holders Caesars, Borgata, Tropicana, and Golden Nugget have offered online gaming on a continuous basis. While Taj Mahal's platform provider Ultimate Gaming ceased operations in New Jersey on September 21, Betfair transferred its operations from Trump Plaza to Golden Nugget on November 20. Pala Interactive was approved for full-time Internet gaming operations as a Borgata platform provider on November 22. The Division decided to permit multiple platforms for each permit holder with a limitation of five "skins" or brands per permit.

DGE had to ensure that sufficient guidelines were applied for the "Know your customer" (KYC) process. This process ensures that patron identities are known and that the players are old enough to gamble in New Jersey. To date, this system has been working very well with no evidence that underage individuals have been able to establish accounts. The Division also regularly monitors issues handled by customer service at the platform providers. Furthermore, as of May 1, 2014, the DGE required all employees of platform providers performing customer service and fraud detection related functions and with access to confidential player information be located in New Jersey.

Ensuring that all play on authorized websites occurs only within the borders of New Jersey is a critical component of New Jersey's online gaming operations. Geo-location technology enables operators to determine where someone is playing within the state and to block those trying to gain access from outside New Jersey's borders. DGE worked with the geolocation vendors and casinos to enhance the technology to make it more accurate and reliable and to reduce false negatives. Additionally, the geolocation vendors provided more detailed information to the casinos whenever a patron fails geolocation; this information is used by the casinos to help customers resolve geolocation problems. DGE is constantly in discussion with the industry for

improvements, and there have been great strides in enhancing geolocation protocols. Currently, geolocation has approximately a 98% success rate.

DGE has been in discussions with the New Jersey Department of Banking and Insurance and the U.S. Office of the Comptroller of the Currency (OCC) to address the difficulties related to payment processing. Most recent statistics indicate that about 73% of Visa and 44% of Mastercard transactions are approved. A new credit card code has been created for legal online gambling transactions and it is expected to be in effect spring of 2015. It should also be noted that the rate of chargebacks for Internet gaming is actually less than it is for retail transactions. In addition to increased credit card transaction acceptance rates, payment processing companies such as Neteller are approved to do business with New Jersey Internet casinos and provide convenient and secure methods to fund Internet gaming accounts. As the banking industry becomes more familiar with legalized Internet gaming and patrons become more educated about the various options for funding their accounts, further improvements are expected in this area.

DGE has developed monitoring tools that allow them to evaluate activity across all the platforms and quickly determine anomalies that need to be investigated. This type of comprehensive monitoring across platforms is unique to New Jersey. Recent cases identified possible issues before anyone else was aware and the DGE took swift action to determine the cause of the issue and the manner in which it will be addressed.

According to the DGE, they have a financial team that is currently auditing interactive gaming to 100%. At this early stage of online gaming, the DGE wants to ensure that they have a firm grasp on all variances and their causes. At this point in the learning curve, their reviews are extraordinarily thorough to make sure all financial reporting is as accurate as possible.

The Division has mechanisms in place to detect and fight payment fraud. For example, Internet gaming patron Diana Zolla was arrested on April 30, 2014, by New Jersey State Police and charged with theft by deception for attempting to claim her identity was stolen and that she was not responsible for almost \$10,000 worth of credit card charges and banking fees on her Internet gaming account. An investigation by the State Police Casino Gaming Bureau, Financial Crimes Unit, revealed she had actually made the charges herself.

All Internet gaming platform providers are required by regulation to implement various responsible gaming features. Similar to brick-and-mortar casinos, patrons are able to exclude themselves from Internet gaming. Technology is used to verify exclusion status during registration and prior to each log in. Required notifications as to 1-800-GAMBLER are presented during registration, log in and log out, as well as from the player protection page. Mandated features remind patrons of how much time they have played during one session which prevents losing track of time and serves as a “reality”

check. Patrons are limited to one account per website gaming brand and have the ability to establish several types of responsible gaming limits or suspend play at any time. Patrons are prohibited from relaxing limits until after the existing limit expires.

Systems must contain logic to identify and report potential problem gamblers to the licensee. Casino permit holders are required to maintain a record of all actions taken regarding patrons identified by the system. A mandatory player protection feature is required once a patron's cumulative deposits exceed \$2,500. Once triggered, the patron is required to acknowledge that he or she has the ability to set the responsible gaming limits discussed above and that 1-800-GAMBLER is available for help. Once met, this notification is enforced annually thereafter. The system provides an on-demand activity statement for a minimum of 180 days of patron gaming activity, and Internet gaming platforms must maintain all records of patron activity for at least ten years.

Gaming Laboratories International (GLI)

GLI is involved with all three iGaming jurisdictions that currently allow internet gaming. Each platform is a little different but there is some overlap between the jurisdictions. All internet games still use the Random Number Generator (RNG) platform used in any computerized games in casinos. Therefore, the internet games are the same as computerized games in a casino except they can be accessed through the internet and all games are located on a server.

GLI is comfortable with saying that the geo-fencing software on the market today is 98% accurate. Each jurisdiction, through their regulations, can set up parameters that ensure everyone participating in internet gaming is located within the proper jurisdiction. The geo-fencing software can use up to 4 different points of data to determine where a player is located. The 4 points of data are: cellular, available SSID networks (WiFi), IP access point, and GPS. If a player is connected over a hardline computer, then there is only the IP access point to detect location. In Delaware, where a player is only allowed to internet game from a pc, they require the player to denote a cellular phone per account so the system can also track the player through the cellular network.

GLI believes a person is much more anonymous in a brick and mortar casino than on internet gaming. Typically at a casino there is a security guard preventing underage patrons from accessing the casino. With internet gaming, players must complete a registration which requires personal information such as name, date of birth, driver's license number, social security number, copy of passport, copy of utility bills, and secret questions/answers. In addition to the upfront verifications, the internet gaming software tracks a player and analyzes their play in real time. Therefore, as the software learns the players patterns, it will send flagged alerts when it notices a change in the players pattern. This could denote that someone else is playing rather than the registers patron. GLI acknowledges that these systems are not foolproof, but they feel internet

gaming provide more controls to prevent underage gaming than the controls in a brick and mortar casino.

GLI tests internet gaming software to ensure it protects customers against fraud and collusion. At this point, no jurisdiction has requirements in rule that dictate to the software providers how to protect the customer. All internet gaming providers have some sort of anti-collusion software included in their platform. This software is similar to artificial intelligence (AI) in that it learns about the players as it observes more and more play. The software generates warnings or alerts that the provider reviews to determine if players are attempting fraud or collusion. The integrity of the game is the most essential element to the viability of internet gaming. The operator's internal controls detail their methods to review players actions and detail how operators handle warning alerts or complaints from customers. Regulators audit these procedures to ensure operators are following their internal controls. Regulators cannot review every event, but they should not rely solely on the operator to take appropriate action. Regulators must find a balance that is comfortable to protect the integrity of internet gaming.

The audit review process is essential to ensure the regulator understands everything going on with the internet gaming software. GLI works closely with the regulators and the service providers to ensure everyone has a clear understanding of how the software is supposed to work.

Staffing for regulators is relative to the risk each state is willing to accept. Regulators can get by with 1 or 2 people to review the processes and software, but that would not be enough personnel to look deep into it.

The negative of internet gaming is that the regulators must be comfortable with the network security provided in today's world and the regulator must be able to understand what they are looking at from the software standpoint. However, a positive of internet gaming is centralized access to information.

Other States

Currently, Georgia and Illinois offer the sale of lottery tickets over the internet. Florida and Massachusetts have introduced legislation to do the same and Illinois has introduced legislation authorizing further online lottery ticket sales.

California, Illinois, Mississippi and Washington are considering bills that would legalize internet gaming this year.

Recently attempts to pass legislation in Hawaii and Iowa have failed.

Federal Government

Rep. Jason Chaffetz (R-Utah) [reintroduced](#) his Restoration of America's Wire Act. Rep. Chaffetz's bill purports to restore the true meaning of the 1961 Wire Act by extending that law to cover all forms of online betting. *National Journal* [reports](#) that Sheldon Adelson recently met with Rep. Chaffetz and "with a majority of lawmakers who sit on the House Judiciary Committee, which will have jurisdiction over Chaffetz's bill." Sheldon Adelson is the Chairman and CEO of the Las Vegas Sands. Mr. Adelson is an outspoken critic of internet gaming using his position and money to push for a ban on internet gaming.

Louisiana

Internet Gaming / Gambling is currently illegal in this state and must be approved by the legislature.

Revenue Analysis of Legalized Internet Gaming States

The following pages provide revenue and tax information for interactive gaming in Nevada, New Jersey, and Delaware. We present the information in four sections: the three states combined, Nevada's information, Delaware's information, and New Jersey's information. You will quickly see the disparity in revenue generated in New Jersey compared to Nevada and Delaware. Since they began interactive gaming in November 2013, New Jersey casinos generated over \$131 million dollars of revenue compared to \$2.3 million in Delaware and \$15.8 million in Nevada, which started interactive gaming in April 2013.

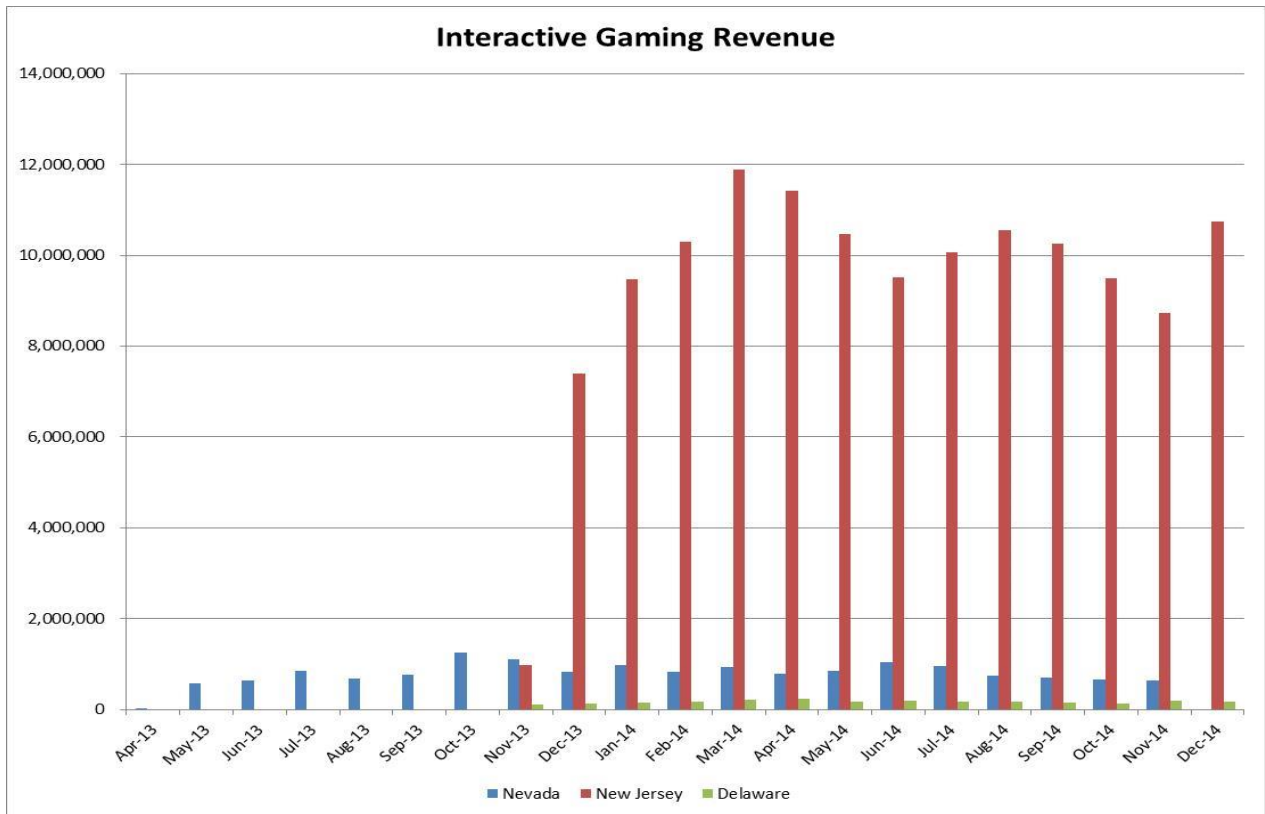
New Jersey and Delaware interactive gaming includes poker, table games, and slot games (Delaware refers to everything as lottery) while Nevada only allows poker. Taxes generated in New Jersey totaled \$19.6 million compared to about \$1 million in Nevada and \$1.1 million in Delaware. New Jersey's interactive tax rate is 15%. Nevada's license fee (percentage of revenue fee) is 6.75%. Delaware operates differently in that they have a set split with the casino operators. 40.5% goes to the operator, 10% goes to race purses, 6% is to keep the states computer tracking systems updated, and the remaining 43.5% goes to the state. We used the 6% and 43.5% rates to calculate the taxes at 49.5%.

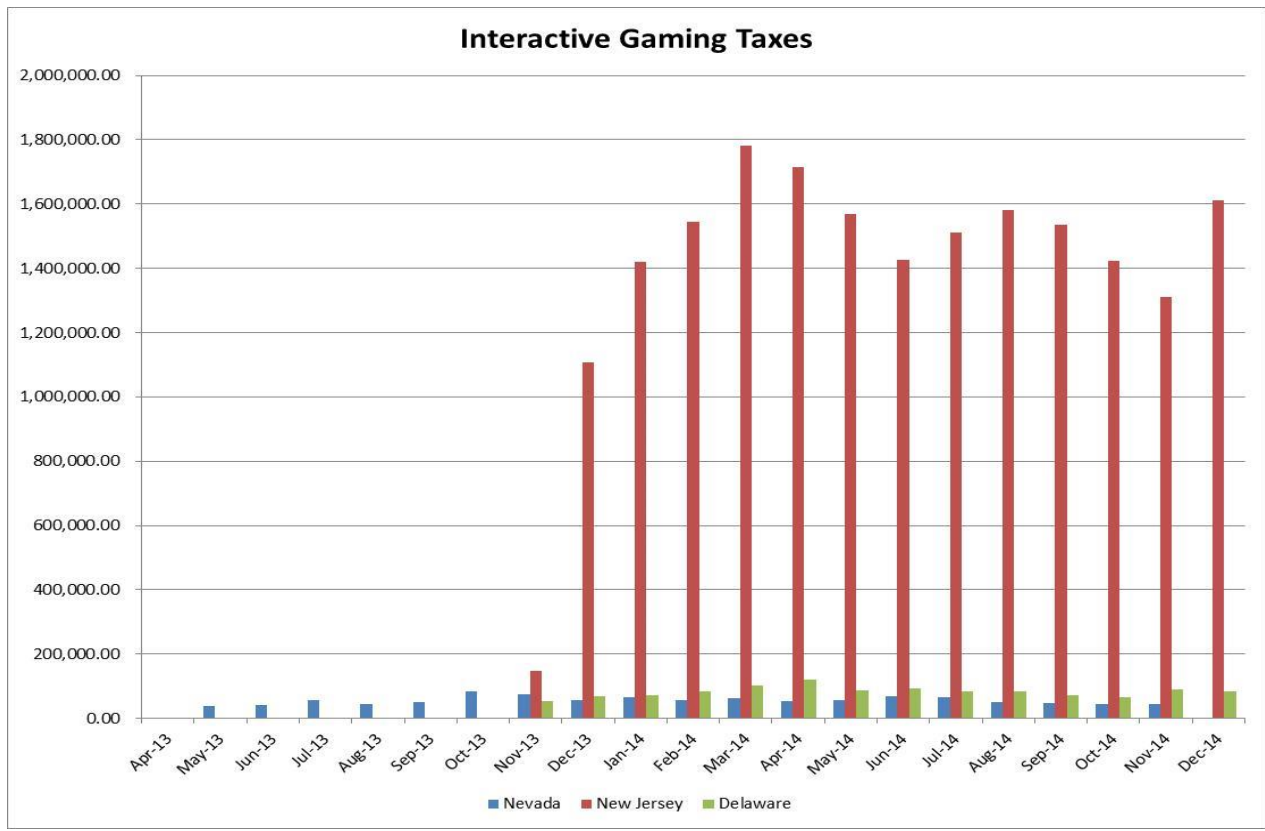
As you review the charts for each state showing the percentage increases and decreases from month-to-month for interactive gaming and live casino gaming you will see that the peaks and valleys are different, but the ups and downs match both forms of gaming. This may suggest that interactive gaming did not necessarily increase the pool of gamblers, but made it easier for the same gamblers to gamble without actually visiting the casino. We did not conduct a study, but we are trying to interpret the similar ups and downs.

It is unclear as to why the online gaming venues are not as popular as first expected, but Morgan Stanley's initial 2011 U.S. estimation of \$14 billion annually is highly unlikely.

**Combined Interactive Gaming Revenues and Taxes
Nevada, New Jersey, and Delaware**

	Nevada		New Jersey		Delaware	
	Revenue	Taxes	Revenue	Taxes	Revenue	Taxes
Apr-13	15,016	1,014				
May-13	577,245	38,964				
Jun-13	638,940	43,128				
Jul-13	861,666	58,162				
Aug-13	682,927	46,098				
Sep-13	761,120	51,376				
Oct-13	1,253,534	84,614				
Nov-13	1,105,172	74,599	980,165	147,025	111,388	55,137
Dec-13	837,000	56,498	7,388,672	1,108,301	140,009	69,305
Jan-14	977,000	65,948	9,461,057	1,419,159	145,668	72,105
Feb-14	824,000	55,620	10,307,086	1,546,063	167,334	82,830
Mar-14	926,000	62,505	11,878,374	1,781,756	207,038	102,484
Apr-14	792,000	53,460	11,428,737	1,714,311	240,763	119,178
May-14	862,000	58,185	10,469,933	1,570,490	175,410	86,828
Jun-14	1,037,000	69,998	9,505,578	1,425,837	187,332	92,729
Jul-14	958,000	64,665	10,070,262	1,510,539	172,496	85,386
Aug-14	742,000	50,085	10,547,458	1,582,119	172,853	85,562
Sep-14	693,000	46,778	10,248,370	1,537,256	145,022	71,786
Oct-14	665,000	44,888	9,484,931	1,422,740	130,269	64,483
Nov-14	641,000	43,268	8,738,898	1,310,835	184,898	91,525
Dec-14			10,736,118	1,610,418	169,607	83,955
Total	15,849,620	1,069,849	131,245,639	19,686,846	2,350,087	1,163,293





Nevada

Nevada began interactive gaming in April 2013 and by October 2013 reached its peak revenue month of \$1.2 million. Revenue fluctuated between October 2013 and July 2014, but fell into a similar month-to-month range. However, beginning in August, the revenues began a decline that led to one of the three providers shutting down in November. Nevada only reports revenue categories provided by three or more operators, so beginning in December 2014, Nevada no longer provides line item reporting for interactive gaming. Page 5 shows the performance of the brick and mortar casinos during 2013 and 2014. Nevada continues to have its ups and downs, but in comparison to interactive gaming, the casino revenues have not seen a similar drop off at the end of 2014. Interactive gaming revenues are approximately 0.1% of the revenues generated by the physical casinos.

In Nevada, the belief is the limited type of interactive gaming (poker), the population of only 2.79 million, and the availability of casinos to the large population areas work to prevent higher interactive revenues.

Interactive Gaming

Change from

Month	iGaming Revenue	Previous Month	Change from Previous Year	6.75%
Apr-13	15,016			1,013.58
May-13	577,245	3744.2%		38,964.04
Jun-13	638,940	10.7%		43,128.45
Jul-13	861,666	34.9%		58,162.46
Aug-13	682,927	-20.7%		46,097.57
Sep-13	761,120	11.4%		51,375.60
Oct-13	1,253,534	64.7%		84,613.55
Nov-13	1,105,172	-11.8%		74,599.11
Dec-13	837,000	-24.3%		56,497.50
Jan-14	977,000	16.7%		65,947.50
Feb-14	824,000	-15.7%		55,620.00
Mar-14	926,000	12.4%		62,505.00
Apr-14	792,000	-14.5%		53,460.00
May-14	862,000	8.8%	49.3%	58,185.00
Jun-14	1,037,000	20.3%	62.3%	69,997.50
Jul-14	958,000	-7.6%	11.2%	64,665.00
Aug-14	742,000	-22.5%	8.6%	50,085.00
Sep-14	693,000	-6.6%	-8.9%	46,777.50
Oct-14	665,000	-4.0%	-46.9%	44,887.50
Nov-14	641,000	-3.6%	-42.0%	43,267.50
Dec-14				<u>1,069,849.35</u>
	15,849,620			

April 2013-Nov 2013 are estimates based on the year-over-year increase in 2014

Nevada did not report internet gaming separately until February 2014

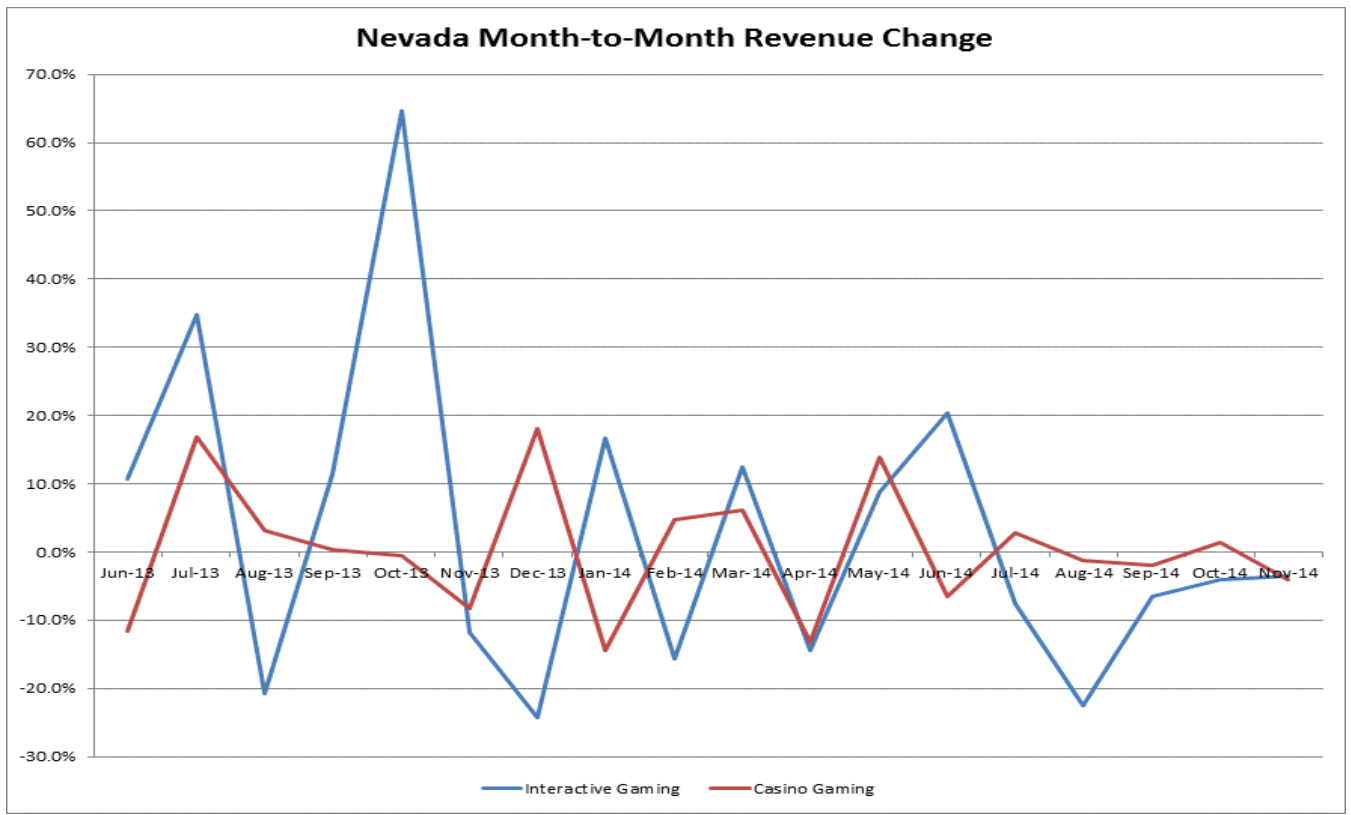
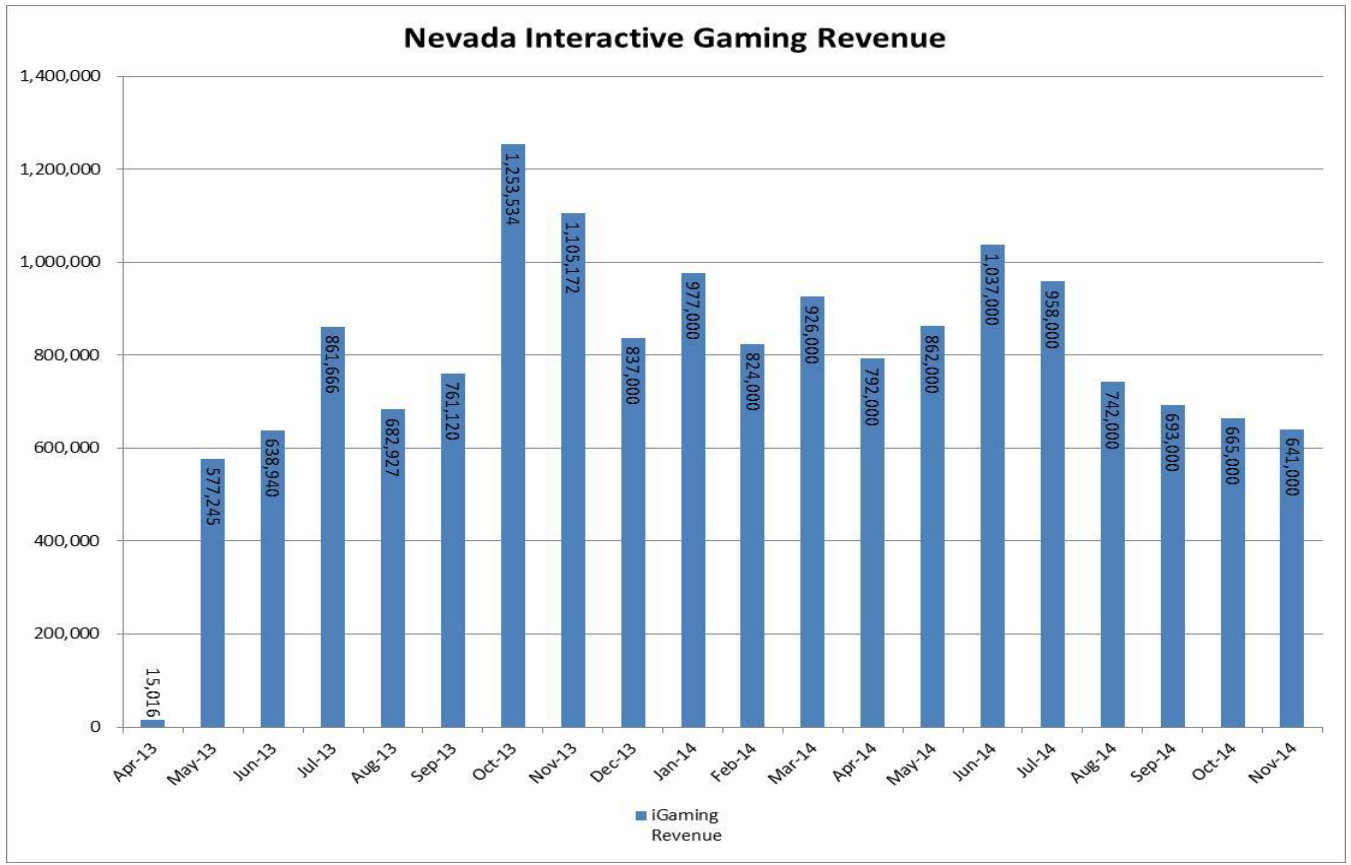
December 2013 and January 2013 are calculations based on 3 months covering

January - March and December - February.

Nevada only reports information when there are 3 or more operators. Ultimate Poker withdrew in November, so there is not December revenue reported.

Casino Gaming
Change from

Month	Casino Revenue	Previous Month	Change from Previous Year	6.75%
Jan-13	909,182,000		-12.44%	61,369,785
Feb-13	1,073,256,000	18.05%	15.13%	72,444,780
Mar-13	914,785,000	-14.77%	7.04%	61,747,988
Apr-13	854,293,000	-6.61%	-0.16%	57,664,778
May-13	897,232,000	5.03%	1.37%	60,563,160
Jun-13	792,497,000	-11.67%	-4.81%	53,493,548
Jul-13	925,730,000	16.81%	-7.97%	62,486,775
Aug-13	955,281,000	3.19%	11.17%	64,481,468
Sep-13	958,806,000	0.37%	7.41%	64,719,405
Oct-13	954,332,000	-0.47%	-2.58%	64,417,410
Nov-13	875,969,000	-8.21%	11.91%	59,127,908
Dec-13	1,034,024,000	18.04%	9.61%	69,796,620
Jan-14	884,203,000	-14.49%	-2.75%	59,683,703
Feb-14	926,084,000	4.74%	-13.71%	62,510,670
Mar-14	982,168,000	6.06%	7.37%	66,296,340
Apr-14	852,005,000	-13.25%	-0.27%	57,510,338
May-14	970,266,000	13.88%	8.14%	65,492,955
Jun-14	906,904,000	-6.53%	14.44%	61,216,020
Jul-14	931,820,000	2.75%	0.66%	62,897,850
Aug-14	920,292,000	-1.24%	-3.66%	62,119,710
Sep-14	901,698,000	-2.02%	-5.96%	60,864,615
Oct-14	913,643,000	1.32%	-4.26%	61,670,903
Nov-14	876,279,000	-4.09%	0.04%	59,148,833
Dec-14	950,692,000	8.49%	-8.06%	64,171,710
	19,264,218,000			1,300,334,715



Delaware

Interactive gaming started in Delaware in November 2013, so we only have two months to compare with 2014. While both of those months are up from the previous year, it is still not enough data to determine if the revenues peaked. Delaware is a small state with a population of 925,749, which, like Nevada, may explain the limited interactive gaming revenue. Delaware's interactive revenues are approximately 0.5% compared to the revenues generated by the three physical casinos.

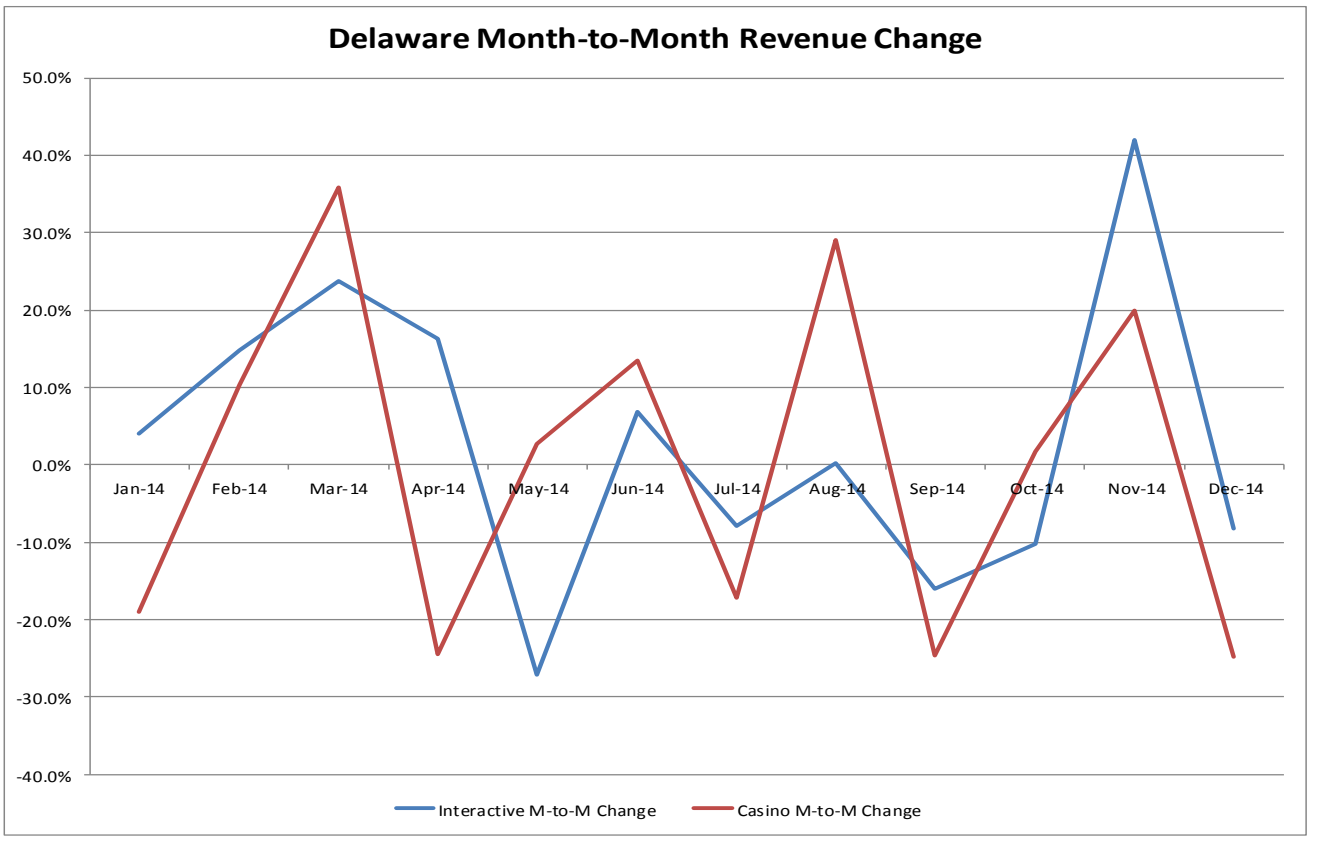
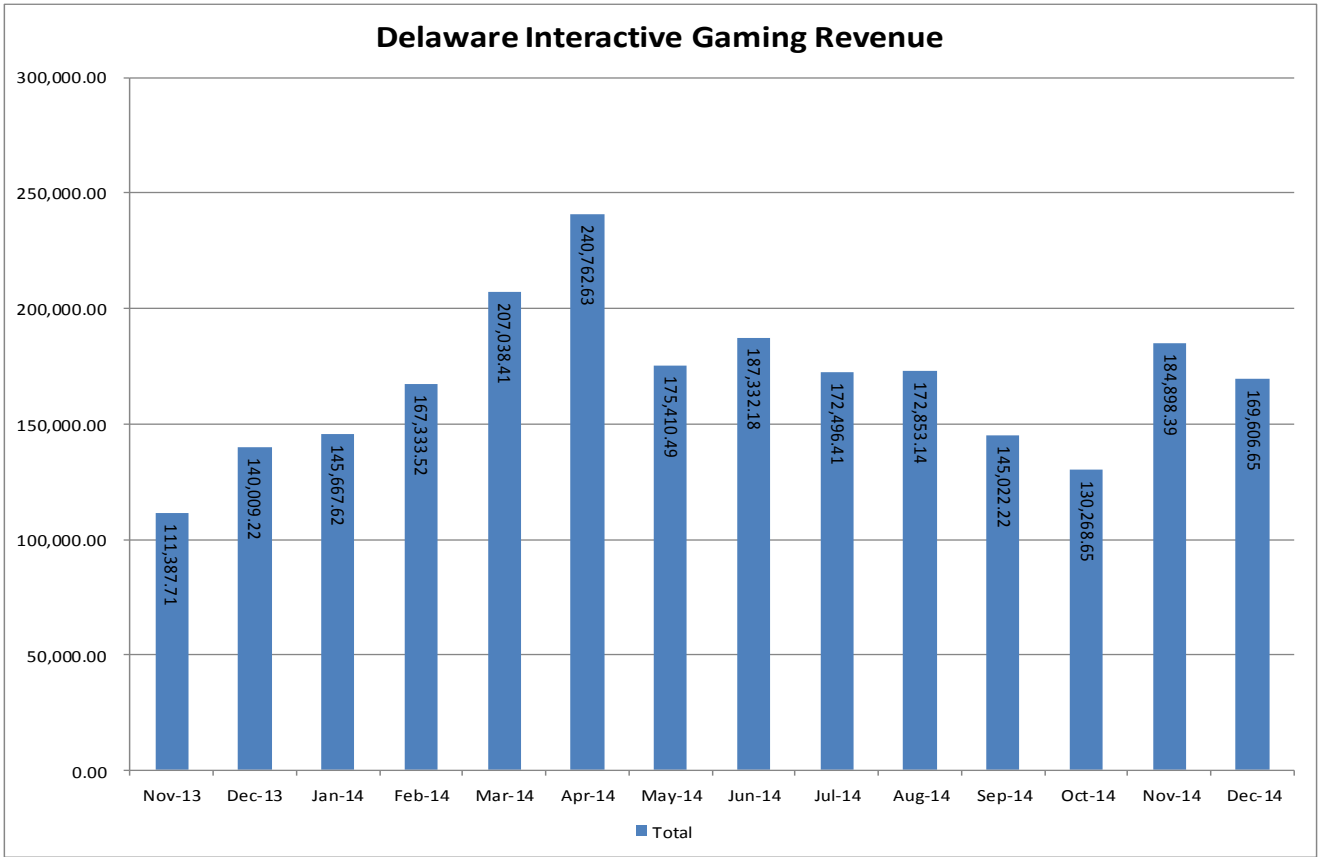
Delaware Interactive Gaming Revenue

Month	Table Games	Video Lottery	Poker Rake & Fees	Total	Change month-month	49.5%	# of Registrations
Nov-13	24,298.17	19,161.12	67,928.42	111,387.71		55,136.92	2,654
Dec-13	21,243.96	11,842.50	106,922.76	140,009.22	25.7%	69,304.56	1,336
Jan-14	22,487.63	34,591.70	88,588.29	145,667.62	4.0%	72,105.47	1,006
Feb-14	65,265.77	27,667.99	74,399.76	167,333.52	14.9%	82,830.09	693
Mar-14	95,056.75	27,504.75	84,476.91	207,038.41	23.7%	102,484.01	640
Apr-14	137,371.99	29,236.92	74,153.72	240,762.63	16.3%	119,177.50	406
May-14	72,543.12	45,398.93	57,468.44	175,410.49	-27.1%	86,828.19	342
Jun-14	110,237.17	51,487.41	25,607.60	187,332.18	6.8%	92,729.43	399
Jul-14	96,923.63	44,311.60	31,261.18	172,496.41	-7.9%	85,385.72	410
Aug-14	100,029.13	34,169.37	38,654.64	172,853.14	0.2%	85,562.30	376
Sep-14	58,038.98	54,678.55	32,304.69	145,022.22	-16.1%	71,786.00	396
Oct-14	46,036.08	55,766.97	28,465.60	130,268.65	-10.2%	64,482.98	315
Nov-14	98,558.00	53,526.20	32,814.19	184,898.39	41.9%	91,524.70	308
Dec-14	99,820.24	41,197.03	28,589.38	169,606.65	-8.3%	83,955.29	256
	<u>1,047,910.62</u>	<u>530,541.04</u>	<u>771,635.58</u>	<u>2,350,087.24</u>		<u>1,163,293.18</u>	
	44.59%	22.58%	32.83%				

Video lottery is Delaware's "slot machine"

Delaware Casino Gaming Revenue

Month	Table	Video	Total	Change	Change	49.5%
	Games	Lottery		month-	Year-	
				month	Year	
Jan-13	5,426,737	28,864,700	34,291,437			16,974,261
Feb-13	5,562,263	31,616,400	37,178,663	8.4%		18,403,438
Mar-13	6,098,366	39,835,400	45,933,766	23.5%		22,737,214
Apr-13	4,410,780	31,209,500	35,620,280	-22.5%		17,632,039
May-13	4,579,576	31,899,800	36,479,376	2.4%		18,057,291
Jun-13	5,167,030	35,710,200	40,877,230	12.1%		20,234,229
Jul-13	4,196,182	28,243,900	32,440,082	-20.6%		16,057,841
Aug-13	5,156,771	29,165,900	34,322,671	5.8%		16,989,722
Sep-13	4,600,571	34,608,800	39,209,371	14.2%		19,408,639
Oct-13	3,887,216	26,323,700	30,210,916	-22.9%		14,954,403
Nov-13	3,387,216	25,989,300	29,376,516	-2.8%		14,541,375
Dec-13	4,719,764	30,528,700	35,248,464	20.0%		17,447,990
Jan-14	3,382,992	25,185,300	28,568,292	-19.0%	-16.7%	14,141,305
Feb-14	3,943,702	27,571,700	31,515,402	10.3%	-15.2%	15,600,124
Mar-14	5,280,918	37,533,800	42,814,718	35.9%	-6.8%	21,193,285
Apr-14	3,660,991	28,652,100	32,313,091	-24.5%	-9.3%	15,994,980
May-14	4,242,768	28,951,400	33,194,168	2.7%	-9.0%	16,431,113
Jun-14	5,090,110	32,583,700	37,673,810	13.5%	-7.8%	18,648,536
Jul-14	4,134,175	27,072,100	31,206,275	-17.2%	-3.8%	15,447,106
Aug-14	5,184,418	35,084,200	40,268,618	29.0%	17.3%	19,932,966
Sep-14	3,656,792	26,662,100	30,318,892	-24.7%	-22.7%	15,007,852
Oct-14	3,943,076	26,885,600	30,828,676	1.7%	2.0%	15,260,195
Nov-14	4,678,773	32,318,700	36,997,473	20.0%	25.9%	18,313,749
Dec-14	4,096,943	23,745,400	27,842,343	-24.7%	-21.0%	13,781,960
	<u>108,488,130</u>	<u>726,242,400</u>	<u>834,730,530</u>			<u>413,191,612</u>



New Jersey

New Jersey began interactive gaming in November 2013. The state's interactive gaming includes poker, table games, and slots. New Jersey has the largest population (8.9 Million) of the three states, which may explain their higher interactive gaming revenues. New Jersey's casinos are also located in one area, Atlantic City, which may increase the appeal of online gambling rather than travelling to a physical casino. New Jersey casino revenue seemed to rebound through 2014, but the last four months of 2014 included four of the six lowest revenue months over the 2013 and 2014 years. 2014 also saw both Trump casinos discontinue their interactive gaming services in November. This may explain the drop in November and the rebound in December as online gamblers registered and moved to other providers. New Jersey's interactive gaming revenues are about 4.6% of the physical casino revenues.

Louisiana's population of 4.6 million may provide a larger base for interactive gaming, but the relatively easy access to many forms of gaming may depress the possible gains if limited to in-state only. While more time may prove that revenue gains will increase; the limited amount of information to this point does not provide guarantees that Louisiana will see significant benefit through interactive gaming.

New Jersey Interactive Gaming Revenues

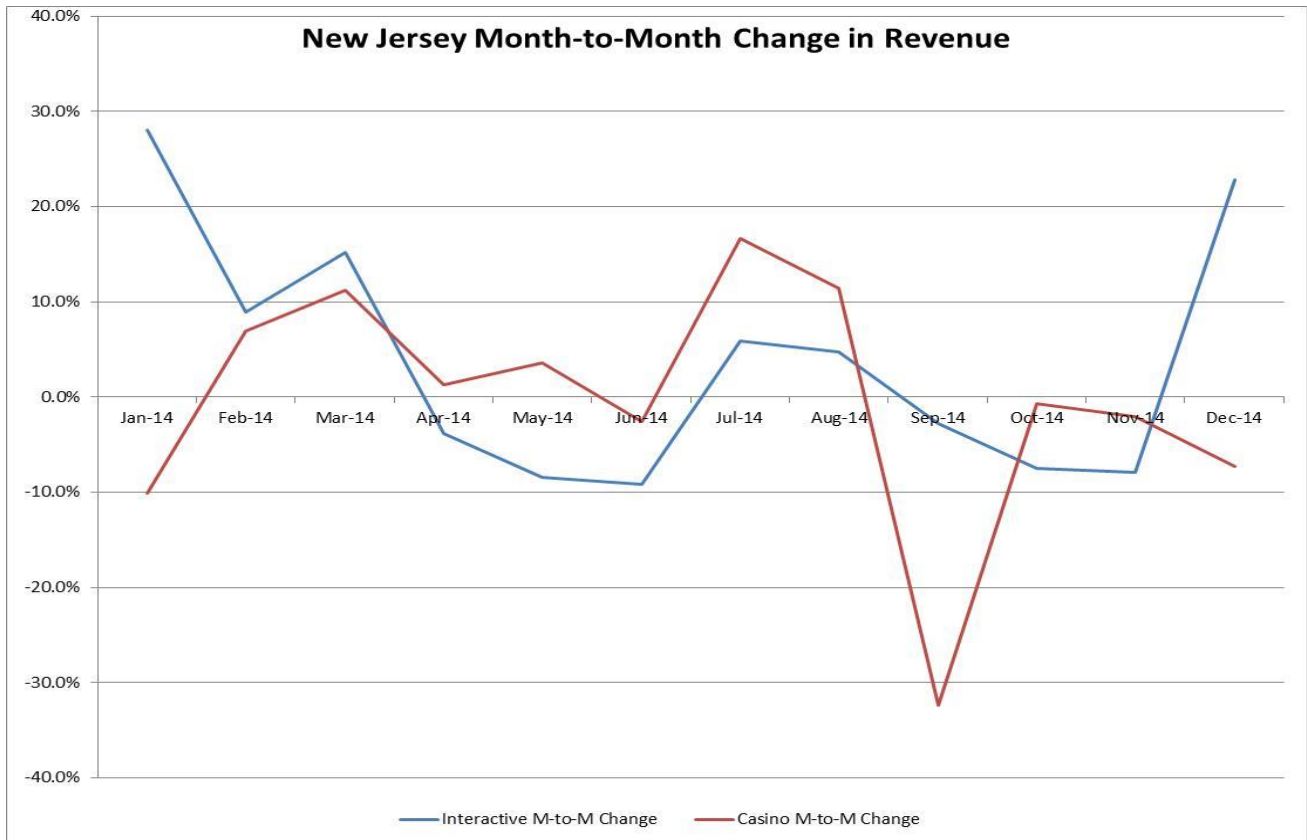
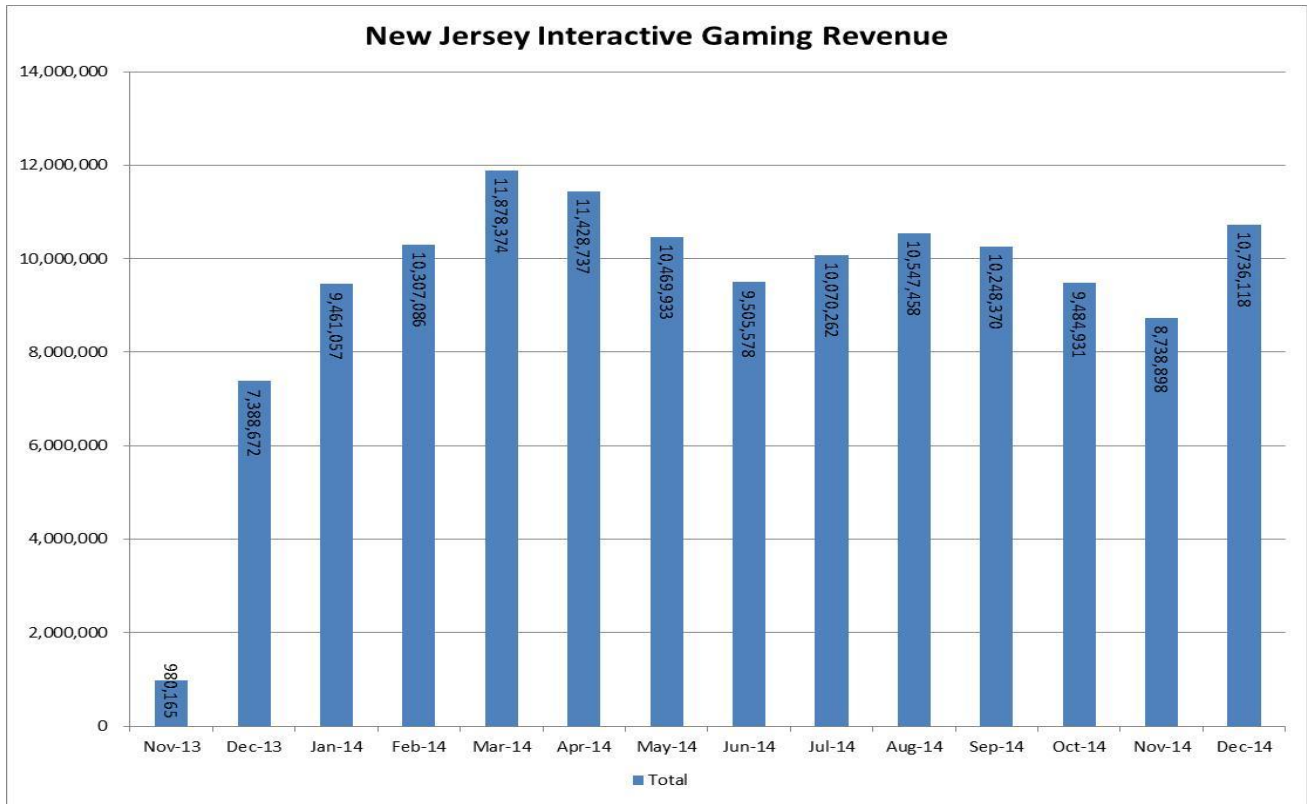
Month	Poker	Change from Previous Month	TG/Slot	Change from Previous Month	Total	Change from Previous Month	Taxes
Nov-13	326,740		653,425		980,165		147,025
Dec-13	2,884,917		4,503,755		7,388,672		1,108,301
Jan-14	3,442,271	19.3%	6,018,786	33.6%	9,461,057	28.0%	1,419,159
Feb-14	3,109,203	-9.7%	7,197,883	19.6%	10,307,086	8.9%	1,546,063
Mar-14	3,210,663	3.3%	8,667,711	20.4%	11,878,374	15.2%	1,781,756
Apr-14	2,591,839	-19.3%	8,836,898	2.0%	11,428,737	-3.8%	1,714,311
May-14	2,273,657	-12.3%	8,196,276	-7.2%	10,469,933	-8.4%	1,570,490
Jun-14	2,048,082	-9.9%	7,457,496	-9.0%	9,505,578	-9.2%	1,425,837
Jul-14	2,146,500	4.8%	7,923,762	6.3%	10,070,262	5.9%	1,510,539
Aug-14	2,251,917	4.9%	8,295,541	4.7%	10,547,458	4.7%	1,582,119
Sep-14	2,085,295	-7.4%	8,163,075	-1.6%	10,248,370	-2.8%	1,537,256
Oct-14	1,967,904	-5.6%	7,517,027	-7.9%	9,484,931	-7.4%	1,422,740
Nov-14	1,877,603	-4.6%	6,861,295	-8.7%	8,738,898	-7.9%	1,310,835
Dec-14	2,059,213	9.7%	8,676,905	26.5%	10,736,118	22.9%	1,610,418
	<u>32,275,804</u>		<u>98,969,835</u>		<u>131,245,639</u>		<u>19,686,846</u>
	24.59%		75.41%				

November 2014 drop resulted from a \$1.3M Jackpot on Caesars Interactive Providers reduced to 5 in October when Trump Taj Mahal Associates shut down. Providers reduced to 4 in December when Trump Taj Plaza Associates shut down.

New Jersey Casino Gaming Revenues

Month	Casino Gaming	Change from Previous Month	Change From Previous Year	Effective Tax Rate of 8.4%
Jan-13	205,556,907		-13.2%	17,266,780
Feb-13	212,329,483	3.3%	-12.5%	17,835,677
Mar-13	238,517,749	12.3%	-10.5%	20,035,491
Apr-13	228,534,566	-4.2%	-12.1%	19,196,904
May-13	253,112,103	10.8%	-3.8%	21,261,417
Jun-13	240,209,550	-5.1%	-12.6%	20,177,602
Jul-13	297,164,382	23.7%	-3.6%	24,961,808
Aug-13	298,106,046	0.3%	-5.0%	25,040,908
Sep-13	240,229,538	-19.4%	-12.9%	20,179,281
Oct-13	211,333,630	-12.0%	0.9%	17,752,025
Nov-13	224,685,515	6.3%	27.2%	18,873,583
Dec-13	207,107,665	-7.8%	-7.4%	17,397,044
Jan-14	186,287,129	-10.1%	-9.4%	15,648,119
Feb-14	199,117,761	6.9%	-6.2%	16,725,892
Mar-14	221,480,246	11.2%	-7.1%	18,604,341
Apr-14	224,437,232	1.3%	-1.8%	18,852,727
May-14	232,399,203	3.5%	-8.2%	19,521,533
Jun-14	226,475,097	-2.5%	-5.7%	19,023,908
Jul-14	264,185,099	16.7%	-11.1%	22,191,548
Aug-14	294,453,154	11.5%	-1.2%	24,734,065
Sep-14	199,148,767	-32.4%	-17.1%	16,728,496
Oct-14	197,748,320	-0.7%	-6.4%	16,610,859
Nov-14	193,764,531	-2.0%	-13.8%	16,276,221
Dec-14	179,754,367	-7.2%	-13.2%	15,099,367

Revenues are from UNLV Gaming Studies website.
 Because the October 2013 page was missing, we used
 the October 2014 percentage increase to calculate
 the October 2013 revenue.
 Tax information is a calculation based on and 8.4%
 effective tax rate.



Unregulated Internet Gambling

As in previous years, traditional internet gambling has remained a viable outlet for those who wish to wager on games of chance or sports betting. Residents of Louisiana are prohibited from playing on the majority of websites offering these types of games. However, there are websites that do allow this activity and with a simple internet search, an individual can find providers willing to accommodate them. The American Gaming Association (AGA) reports that there are nearly 3,000 Internet gambling sites that offer wagering on sports, casino games, poker, bingo, lottery and other games. The AGA also notes that online gambling has generated approximately \$30 billion in annual revenue.

In addition to the traditional forms of online gaming, fantasy sports betting have become a major attraction for internet wagering.

Finally, jurisdictions including Louisiana, have deemed internet sweepstakes illegal. As a result, internet sweepstake cafes have become nonexistent.

Fantasy Sports Betting

Fantasy sports is a form of wagering in which a player creates an account with the vendor. That account pays for the fees for the player's activity as well as makes up the wagers for the games played. Fantasy sports is played by the allowing the player to pick individual athletes from a specific sport, normally professional sports, and create a team. The team is then given points for the activities of the players. At the end of the day or that sport's weekly schedule cycle, the player with the most points wins. In addition to winning the money available in the betting pool, some providers offer additional prizes.

According to a Forbes report from July 2012, "*the IBISWorld forecasts annual growth of 8.8% over the next five years, making fantasy a \$1.7 billion business by 2017.*" With this type of activity, we can expect fantasy sports betting to compete with the traditional forms of internet gambling.

As with traditional internet gambling, all major fantasy sports betting providers prohibit Louisiana residents from participating. According to a popular fantasy sports vendor, Fan Duel, it advises its customers that, "*the laws relating to fantasy sports varies by state however in the vast majority of them fantasy sports is considered a game of skill and therefore legal. In most states a game of skill is classed as game where skill is the predominant factor in determining the winner. The states where our lawyers believe the law is unclear or questionable about the legality of fantasy sports are Arizona, Iowa, Louisiana, Montana or Washington. Therefore we do not offer paid entry games to residents of those states.*"

Fan Duel also claims that, *“In 2006 the federal government passed a law called the Unlawful Internet Gaming Enforcement Act which was designed to prevent gambling over the internet. The law included a carve out that clarified the legality of fantasy sports. Specifically, it exempted:*

"participation in any fantasy or simulation sports game or educational game or contest in which (if the game or contest involves a team or teams) no fantasy or simulation team is based on the current membership of an actual team that is a member of an amateur or professional sports organization and meets the following conditions:

- 1. All prizes and awards offered to winning participants are established and made known to the participants in advance of the game or contest and their value is not determined by the number of participants or the amount of any fees paid by participants.*
- 2. All winning outcomes reflect the relative knowledge and skill of the participants and are determined predominantly by accumulated statistical results of the performance of individuals (athletes in the case of sports events) in multiple real-world sporting or other events.*
- 3. No winning outcome is based: a. On the score, point spread, or any performance or performances of any single real world team or any combination of such teams; or b. Solely on any single performance of an individual athlete in any single real-world sporting or other event."*

For states that do allow fantasy sports betting, it is estimated that the participation has grown from 500,000 players in 1988 to approximately 41.5 million in 2014.

Electronic Sweepstakes

In 2014, Louisiana Revised Statute 14:90.7 was signed into law and made gambling by electronic sweepstakes a crime. Since that time, existing electronic sweepstakes cafes closed and the Gaming Enforcement Division has not discovered or been made aware of any electronic sweepstakes cafes operating in Louisiana.

Most states with this type of activity have determined that electronic sweepstakes is an illegal form of gambling. In 2015, North Carolina and Kentucky deemed internet sweepstakes cafes to be illegal gambling.

Legal Considerations

Jurisdictional Issues

It must be determined whether the gaming location is considered to be where the wager is placed (i.e. where the player is physically located), where the wager is received, or both. Where the wager is received could be debated to be the physical location of the licensed establishment, the location of the server, or both. This is an important distinction, especially if a player is located in a parish where gambling has not been previously approved by a majority vote. If Internet gambling was to become legalized in Louisiana, the laws and regulations regulating such gaming would need to expressly address this issue.

Licensing Issues

The three states that currently have legalized gaming, Delaware, Nevada, and New Jersey, limit Internet gaming licenses to those that also have licensed brick and mortar casinos. This model streamlines the licensing process. Other licensing issues that must be addressed include whether each brick and mortar licensee would be allowed to have an Internet gaming license or whether the number would be limited and how many Internet gaming websites would be allowed per license.

Federal Law

The Federal Wire Wager Act (“The Wire Act”) is most cited as the basis for criminalizing online gambling operations. The United States Department of Justice (“DOJ”) historically took the position that The Wire Act prohibited all forms of online wagering including online poker, casino games, and sports betting. In 2011, the DOJ issued a new opinion stating that The Wire Act was limited to sports betting. The 2011 DOJ opinion opened the doors for legalized Internet gaming within an individual state and may allow for individual states to legalize and participate in Interstate Internet gaming.

The Restoration of America’s Wire Act (“RAWA”), a bill that would amend The Wire Act to prohibit all forms of Internet gambling, except for horse racing, was introduced in Congress and the Senate in 2014. The RAWA did not pass, but Rep. Jason Chaffetz (R-Utah) introduced an identical bill for the 2015 Congressional Session. It is unknown what this means for the future of legalized Internet gaming.

The Unlawful Internet Gambling Enforcement Act (“UIGEA”) was adopted by Congress in 2006 and requires banks and other financial institutions to implement procedures to detect and intercept credit card payments and other financial transactions related to “unlawful Internet gambling.” The UIGEA states that “unlawful Internet gambling

means to place, receive, or otherwise knowingly transmit a bet or wager by any means which involves the use, at least in part, of the Internet where such bet or wager is unlawful under any applicable Federal or State law in the State or Tribal lands in which the bet or wager is initiated, received, or otherwise made.” 31 U.S.C.A. §5362(10)(A). However, the UIGEA includes an exception in 31 U.S.C.A. §5362(10)(B) for when a bet or wager is expressly authorized by and placed in accordance with State law and is initiated and received within that State. In order to qualify, the State law or regulations must include “age and location verification requirements reasonably designed to block access to minors and persons located out of such State and appropriate data security standards to prevent unauthorized access by any person whose age and current location has not been verified in accordance with such State’s law or regulations.” The exception also requires the bet or wager to comply with provisions of the Interstate Horseracing Act, the Professional and Amateur Sports Protection Act, the Gambling Devices Transportation Act or the Indian Gaming Regulatory Act.

Louisiana Constitution

La. Const. art. XII, §6(C)(1) requires a referendum election on a proposition to allow “new forms” or existing forms of gaming, gambling, or wagering to be conducted in a parish in which it was not already being conducted. The proposition must be approved by a majority of those voting thereon.

There is debate on whether Internet gaming is a “new form” because, while the way in which the games are accessed is “new,” the games themselves are not. If Internet gaming is considered a “new form,” no law authorizing such gaming would be effective unless a referendum election was held in the parish and the proposition was approved by a majority vote. Regardless of whether Internet gaming is considered a “new form” of gaming, the Louisiana Constitution requires a referendum election in those parishes in which gaming is not already being conducted.

Louisiana Criminal Code

La. R.S. 14:90.3 defines and prohibits “gambling by computer,” and also sets a penalty for “whoever designs, develops, manages, supervises, maintains, provides, or produces any computer services, computer system, computer network, computer software, or any server providing a Home Page, Web Site, or any other product accessing the Internet, World Wide Web, or any part thereof offering to any client for the primary purpose of 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.” Therefore, in order to permit Internet gaming in Louisiana, La. R.S. 14:90.3 would need to be amended or repealed.

Regulatory Considerations

If the legislature decides to legalize internet gaming (iGaming) in Louisiana, there are a number of considerations that need to be addressed legislatively. First, the state will need to decide which types of internet games will be legal. The state will also need to consider whether the state chooses to operate the websites (Delaware model) or offer licenses to operate those sites (Nevada and New Jersey models). If the state decides to offer licenses to operating iGaming sites, then the state must consider whether those licenses will be offered to brick and mortar licensed casinos only or allow any company to be licensed to operate an iGaming site. The state will also need to decide whether to put a cap on the number of iGaming licenses that will be issued.

This report has addressed some of the legislature's considerations such as geo-fencing, age verification, problem gamblers, identity issues, and fraud/collusion concerns as it relates to iGaming. The main regulatory consideration will be their level of comfort with network security in today's technological world. iGaming platforms are no different than other online technologies when it comes to network security, but when it comes to traditional issues at casinos, the research suggest that current iGaming methods are perhaps better at preventing, detecting, and allowing regulators to act on these concerns more effectively than the existing manual process driven methods in our current brick and mortar casinos. A patron in a brick and mortar casino has the ability to be much more anonymous than in an iGaming environment.

Technology advances at a fast pace and challenges the regulators ability to adapt from both an industry perspective and a game integrity perspective. It's not uncommon for implementation of new technology in the gaming sector to be a slow process sometimes hindering potential benefits to the industry and consumer. The primary factor is the regulators need to "get it right" the first time and reduce risk to the public and industry. Another factor is that some technology advances are not supported in perhaps outdated gaming laws and will require legislative change that may not be politically feasible. Most established gaming jurisdictions recognize the need for gaming laws to provide a base framework with flexibility to adapt regulations to changing technology. With all that said, the role of the regulator is to safeguard the integrity of authorized gaming operations by ensuring necessary standards are established and followed.

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Thirty copies of this public document were published in this first printing at a cost of \$150.20. This document was published by the Louisiana Gaming Control Board, 7901 Independence Boulevard, Building A, Baton Rouge, Louisiana 70806, to update the Legislature regarding technology in the gaming industry, under authority of Act 130 of the 2014 Legislative Session. This material was printed in accordance with the standards for printing by state agencies established pursuant to R.S. 43:31.