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N.J. moving at dizzying pace to implement online gambling

By [Ryan Hutchins/The Star-Ledger](#)
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[TRENTON](#) — The head of Caesars Entertainment — which owns a third of Atlantic City’s 12 casinos — offered a prediction. With “a little luck,” Chief Executive Gary Loveman told analysts Monday, online gambling could be up and running in New Jersey in 18 months to two years.

A day later, Gov. Chris Christie signed the measure into law, setting set off a race to make internet wagering a reality.

The Star-Ledger has learned that regulators and casinos, with the governor at their back, are moving at a dizzying pace. A first draft of the rules that will govern the venture are expected to be completed by Thursday, and experts say gamblers may be rolling the digital dice by Christmas, if not sooner.

“I don’t see any reason it would take 18 months, let alone two years,” said I. Nelson Rose, a professor at Whittier Law School and a leading gambling expert. “I don’t see any reason it wouldn’t be up and operating by the end of this year.”

The Christie administration is about to make what Atlantic City loves best: a high-stakes gamble. It could change the gaming culture of the state, create the biggest new revenue stream in years or open a huge hole in the Christie budget, and once again revive Atlantic City, this time after a half-dozen-year slide fueled by competition in neighboring states and a deep economic recession.

Casino revenue peaked in 2006 at \$5.2 billion and dropped to little more than \$3 billion last year, according to the state Division of Gaming Enforcement.

It could also be an ingenious political victory for a high-profile governor seeking re-election and probably much more, who in 2010 bet big on Atlantic City’s future. He carved out a tourism district overseen by the state and even offered investors \$260 million in tax incentives to complete the \$2.4 billion Revel hotel and casino, which recently announced its intention to file for bankruptcy less than a year after opening.

Some opponents are appalled at the notion of internet wagering and worry that it will create a new kind of problem: thousands of stay-at-home gambling addicts.

But for now, the lure of fresh money is driving the state.

The \$32.9 billion budget unveiled last week by Christie anticipates a \$200 million increase in casino tax revenue in the fiscal year beginning July 1, mostly from online gambling. That suggests he expects the casinos to rake in about \$1.2 billion from internet gaming in its first year — a fortune some experts say could grow drastically.

PREDICTION QUESTIONED

Others predict far less revenue in the beginning, and reaching \$1.5 billion in perhaps five years. There are even some who question whether the expansion of online gaming will provide much of a jolt at all or simply intensify the competition among a finite number of gamblers.

State Sen. Raymond Lesniak (D-Union), an avid gambling proponent, said he was caught off guard by Christie's forecast of increasing tax revenue \$200 million during the next budget year, and he called such predictions "very aggressive."

Once firmly opposed to legalizing online gambling without a public referendum and vetoing legislation two years ago, the governor has taken a 180-degree turn, allowing him to raise sorely needed revenue without upsetting budget hawks.

"Certainly one thing is true: Any state that is looking to close a budget shortfall, and looking for essentially a new industry and new revenue to tax, certainly should look no further than online gaming," said Jeff Ifrah, an attorney who represents PokerStars, an online gaming company that is purchasing another troubled casino, the Atlantic Club.

One potential river of fresh gambling revenue was shut off, at least temporarily, last week when a federal judge blocked a new law enabling sports betting at the state's casinos and horse-racing tracks.

The decision could be costly. According to the American Gaming Association, \$2.88 billion was legally wagered on sports in Nevada in 2011.

For now, the questions about online wagering are piling up for state officials, casino industry officials and the average bettor ready to take a chance from the comfort of the living room sofa.

But some things are as clear as a true straight.

If you can gamble on it in one of Atlantic City's 12 casinos, you'll be able to play it online. Poker, blackjack, craps, slots — the digital casinos will have them all. State regulators also have discretion to approve new games.

Licenses will be limited to those dozen casinos for now, and the owners will be required to keep most of the equipment to run the operations on site. If all the bets are received in Atlantic City, the legal reasoning goes, the law doesn't violate the state constitution, which expressly prohibits casinos from operating outside the seaside resort.

Gamblers, on the other hand, will be able to place bets from anywhere in New Jersey on home computers and laptops, iPads, iPhones and other tablets and mobile devices.

A technology called geolocation will draw a “virtual fence” around the state, preventing anyone from placing a bet outside its borders and pinpointing a player’s location with what experts say is near 100 percent accuracy. Closer to the state lines, gamblers may be required to enable the GPS features on their phones.

“We use multiple location sources to figure out where that device actually is,” said Rip Gerber, who is the president of Locaid, a leading provider of internet location technology and a likely partner to Atlantic City casinos.

Many other aspects of the new law are still to be decided by the Division of Gaming Enforcement.

For instance, regulators haven’t determined whether gamblers will have to come to Atlantic City to register or be able sign up on the internet. Casinos will be required to verify ages and identities and ensure that prospective players are not on lists of banned patrons or among those who have chosen to exclude themselves from gambling because they have an addiction.

The technology exists to do that remotely.

“I do like the idea of getting more folks to Atlantic City, but it may not be the convenient thing,” said Seth Palansky, a spokesman for Caesars Interactive Entertainment, which has operated internet gambling in Europe for several years and is poised to take its first bets in the United States.

David Rebeck, the director of the Division of Gaming Enforcement, said in an interview Friday that he sees wisdom in both options and that New Jersey may end up with a hybrid, depending on the amount of money involved.

RISKS AND SAFEGUARDS

“What risks are we willing to take,” Rebeck asked, “and what safeguards do we need to put in place?”

Questions also surround the heart and most-regulated component of any casino: the bank. How will players deposit money into their online gambling accounts? And how will they collect their winnings?

It’s unlikely the state or the casinos will require players to travel regularly to Atlantic City, although that would give a boost to the struggling casinos and the rest of the city. Instead, Rebeck and experts said, such transactions would probably take place over the internet.

With the new fiscal year beckoning, the clock is ticking. The law signed last week calls for casinos to be taking digital bets within nine months, a source of skepticism among some industry experts.

But Rebuck said his division has been laying the groundwork for months, examining existing online gambling regulations in 85 jurisdictions worldwide. Nevada, which legalized online poker in 2011 but has yet to allow betting, is the only place in the country that had developed rules.

Once New Jersey's regulations are ready — sometime in “the very near future,” Rebuck said — they must be published in the New Jersey Register. The public then will have two months to comment. Simultaneously, he said, casinos and outside vendors that haven't begun pursuing permitting and licensing requirements will be able to begin doing so.

“I have every confidence I'll get every level of support” from officials and stakeholders, Rebuck said of the effort to be operating in nine months. “We're fully dedicated to meeting that goal.”

The governor's aggressive schedule came as a surprise to executives with Caesars, who said they watched Nevada move slowly and meticulously toward online gambling.

But Palansky, the Caesars Interactive spokesman, said that “if the state and the regulators are committed to dedicating the personnel to do all the due diligence in a time frame like that, it can be done.”

Christie's casino revenue forecast implies online gambling will produce roughly \$1.2 billion in the next fiscal year, an optimistic figure compared with what one analyst predicted. Wells Fargo Securities said in January that New Jersey's online gambling market could generate from \$650 million to \$850 million in the “near term,” growing to as much as \$1.5 billion in five years.

More accurate predictions are difficult because the prospect of legal online gambling has existed only a few years, beginning when the Justice Department reversed a long-held position that internet wagering violated the federal Wire Act.

PARTNERSHIPS?

The size of New Jersey's online gambling market also hinges on whether it joins with other states willing to let residents bet online.

Experts say the state could sign compacts with Nevada, which expanded its online gambling law a week before Christie signed New Jersey's, and Delaware, which is also moving toward internet wagering by this fall. The state also could sign international agreements with countries where online gambling is prevalent and profitable.

There's a big advantage to drawing players from various states into poker games, which require gamblers to play against one another rather than the house, according to Jeremy Frey, a gambling industry lawyer. If there aren't enough players, a casino is limited in the number of games it can offer and the amount of revenue it can produce.

“That’s why I’m worried about some of these rosier forecasts,” Frey said.

Beyond the regulatory, technological and financial considerations, there are cultural aspects to weigh. It’s possible that social media and online gambling will converge at some point, with people betting on Angry Birds or FarmVille.

Regulators admit there are any number of issues to consider as they work to finalize the rules, which they say they have no intention of rushing.

It must be “very thorough and rigorous,” Rebeck said.

But industry critics say they are deeply concerned by the race to the virtual tables.

“Younger people, they’re not going to brick-and-mortar casinos. They spend their lives on the internet,” said Les Bernal, the national director of Stop Predatory Gambling, which opposes government-sponsored wagering. “This whole push is about targeting young people. It’s about creating new gamblers.”

BETTING, BY THE NUMBERS

\$200 million: Increase in state casino tax revenue anticipated by Gov. Chris Christie in the next fiscal year, mainly through online gambling.

\$1.2 billion: Approximate total online gambling revenue anticipated by Christie at Atlantic City’s casinos in fiscal 2014, beginning July 1.

\$650 million to \$850 million: What Wells Fargo Securities analysts said in January that New Jersey’s online gambling market could generate in the “near term.”

\$1.5 billion: Potential size of New Jersey’s annual online gambling market in five years, according to Wells Fargo Securities analysts.

Two: The number of other states — Nevada and Delaware — that have legalized online gambling.

15: Percentage of casino online gambling revenue that will be paid to the state in taxes.

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Special interests getting their payday. It's NJ and it's business community running over people every chance they get. Didn't Christie offer them a tax break yet?

[18 Minutes Ago](#)

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[eniobob](#)

Minimum wage push could have used this type of push IMHO.

[18 Minutes Ago](#)

· Reply



[EnoughBS](#)

As much as I love a trip to AC every once in a while I have to admit that when the economy gets tough, gambling is right up there with the first of my discretionary spending cuts. Just making it more accessible by allowing online gambling doesn't change the fact that the people of NJ just don't have it to spend. In good times, maybe...but these are not good times. I am surprised that the governor is so optimistic....now there's a real gambling man. This is a revenue stream which will take some time to mature. Oh, I can hear the crying from the AC Casino's complaining how on-line gambling has cost them jobs and revenue since gamblers don't use the facilities or spend money outside the venues.



TMoor likes this.

[41 Minutes Ago](#)

· Reply



[eniobob](#)

"when the economy gets tough, gambling is right up there with the first of my discretionary spending cuts. "

Yep its called "COMMON SENSE" you don't are should I say,you shouldn't hustle backwards and take your rent money or car payment money etc and place a bet with it,some people do but thats not common sense IMHO.

[20 Minutes Ago](#)

· Reply



[I-love-NJ](#)

So the State only gets 15%

Hey, Star-Ledger reporters, here's one to investigate! What is the relationship between Christie and the casino owners who will pocket the other 85%?

How much does the campaign fund get for this?

Another tax on the poor. Another tax on people who can't control themselves. Shame on you, governor, and shame on you, legislators.

[2 Hours Ago](#)

· Reply

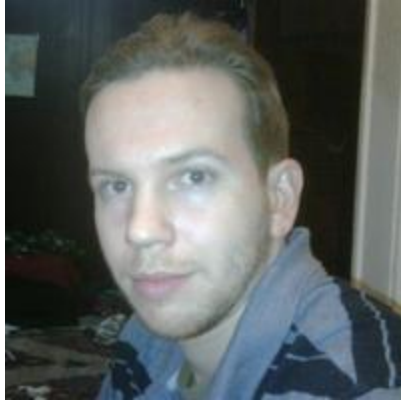


[doctorphil1](#)

The former Bamberger's Dept. Store building was concerted to being a carrier-hotel almost a decade ago. It contains for example more than enough computer equipment to run several internet gaming operations Has it improved the economy of Newark any? Nope. Expect the same with Atlantic City.

[2 Hours Ago](#)

· Reply



[jone3](#)

Gambling in a state that can hardly feed itself. I'm not against gambling but the dizzying pace frightens me. It would be nice if we could devote more to food production for the massive populations we have but gambling is a priority.

[2 Hours Ago](#)

· Reply



[ikidunot](#)

Atlantic City/Gambling has failed on so many real world levels it's difficult to know where to start the list. So by all means lets' get going with cyber world gambling so we can all see what a loser proposition and complete waste of time and money this will also be.

[2 Hours Ago](#)

· Reply



[Rweblind](#)

Professor Rose obviously has not been exposed to the State Legislative system.....18 months to a 2 years is very good....it takes our politicians 6months to decide whether or not to go to the bathroom...unless there is money in it for them! More than likely 3/4's of the Assembly/Senate will have to take trips all over the world on our tax dollars to see how other places do it...greatest scam in the world, politicians! Oh, then we'll hire one of their relatives as consultant to study how to set it up....



doctorphil1 likes this.

[2 Hours Ago](#)

· Reply



[Rational censored](#)

A virtual fence? Since when has that worked? Drop a server in NJ and access remotely from anywhere.

If Nevada, NJ and DE do this and it is successful, wouldn't more states do it? And wouldn't that then dilute the revenue streams?



doctorphil1 likes this.

[2 Hours Ago](#)

· Reply



[Rational censored](#)

Great. A rush to bring the state down further. Haven't these people learned yet?

[2 Hours Ago](#)

· Reply



[speakthetruth420](#)

Christie the hypocrite strikes again. How long has medical marijuana taken to get up and running?

“I don’t see any reason it would take 18 months, let alone two years,” said I. Nelson Rose, a professor at Whittier Law School and a leading gambling expert. “I don’t see any reason it wouldn’t be up and operating by the end of this year.”

I don't see any reason why it should take years to let a suffering patient buy a joint, but it does in NJ.

[2 Hours Ago](#)

· Reply



[TMoor](#)

"I do like the idea of getting more folks to Atlantic City, but it may not be the convenient thing."

It's unlikely the state or the casinos will require players to travel regularly to Atlantic City, although that would give a boost to the struggling casinos and the rest of the city.

[3 Hours Ago](#)

· Reply



[Marc Shakter](#)

Amazing what legislators can do when they're going to get a payday out of it.... Too bad the pot legalization doesn't have a lobby to throw money around, you'd be able to get stoned in a week.



speakthetruth420 likes this.

[6 Hours Ago](#)

· Reply



[TMoor](#)

It's ironic the state can implement a "thorough and rigorous" regulatory scheme in a matter of months when it comes to online gaming and have it up and running in less than a year, but is still dragging its feet on medicinal marijuana.



speakhetruth420 likes this.

[3 Hours Ago](#)

· Reply



[Marc Shakter](#)

They'd make more tax revenue on marijuana than they do on gambling. The infrastructure is already there with alcohol and can be sold alongside it.

[2 Hours Ago](#)

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