

Online gambling: How long until it's legal everywhere?

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It used to be you had to go all the way to Las Vegas to play the slots. But soon, you may be able to gamble on your smartphone.

Thanks to improvements in technology, a change in federal rules and shifting political calculations, a push to legalize online and mobile gambling is picking up steam. Three states already have moved to allow it, and Silicon Valley tech companies, including San Francisco-based social gaming giant [Zynga](#), are rushing to cash in.

"It's inevitable that this spreads pretty quickly," said Doug Walker, who studies casino gambling as a professor of economics at the College of Charleston in South Carolina.

Last month, the governors of New Jersey and Nevada signed laws to legalize online gambling in their states. And earlier this year, Delaware, which legalized online gambling last summer, solicited bids from companies to run the service that will oversee online gambling there.

Similar legalization proposals are being promoted in numerous other states, many of which are searching for new revenue to replace tax dollars wiped out by the Great Recession. In California, state Sen. Roderick Wright, D-Inglewood, has introduced a bill that would legalize all online gambling in the state, while state Sen. Lou Correa, D-Santa Ana, has proposed a bill that would legalize only online poker.

It's not just cash-strapped state governments that see a potential jackpot in online gambling. Casino operators and Silicon Valley tech firms are also pushing for legalization. Zynga, for example, is already moving to offer online gambling in the United Kingdom and Nevada.

Legalization proponents argue that many consumers already gamble online through offshore sites. By legalizing the activity, they say, states can tax and regulate it -- and U.S. companies can benefit.

"Prohibition, like the prohibition of alcohol, just doesn't work," said Joseph Kelly, a professor at Buffalo State College in New York who has consulted with governments outside the United States that have considered legalizing online gambling. "I like to think of (legalization) as recapturing revenues."

But gambling opponents, consumer advocates and addiction researchers warn of potentially dire consequences. They say the gaming industry will use techniques perfected in online advertising and marketing to target vulnerable consumers, leading to a spike in problem gambling and, more broadly, a rise in income inequality.

"This is the most predatory business in the country," said Les Bernal, national director of Stop Predatory Gambling, a nonprofit group opposed to commercial and state-sponsored gambling. "They're about creating new players and getting them to be out of control."

Until little more than a year ago, much of the discussion about online gambling in the political realm was about banning it. But in late 2011, the U.S. Department of Justice revised its interpretation of the Federal Wire Act, a law designed to combat organized crime. The Justice Department determined that instead of banning all online gambling, the law applied only to sports betting.

The change allows states to legalize Internet gaming within their boundaries. But it potentially could also allow citizens from one state to gamble on Web or mobile sites hosted in another state, if the two states come up with an agreement to permit the practice. In the meantime, Congress has been considering a measure that would legalize interstate online gambling in whichever states authorize it.

So far, online gambling is still a limited business. Nevada's new law only legalizes online poker. And for now, only residents of the three states that have authorized online gambling can legally bet online.

But many experts think online gambling is a multibillion-dollar opportunity. New Jersey alone projects state revenues from casino gambling will nearly double over the next year to \$436 million, thanks in large part to online gambling.

With the online gambling table open for bets, nontraditional players are trying to get a piece of the action. For years now, social gaming companies -- including Zynga -- have offered virtual poker and casino games, with players wagering virtual currencies rather than real dollars. Now those companies are starting to move into what they call "real money" gaming.

"This is a huge opportunity for game developers," said Christopher Griffin, founder and CEO of Betable, a company that works with software developers to legally add real-money betting to their games.

Entry of those nontraditional players into the gambling market worries consumer advocates and addiction researchers. Research into the effects of online gambling is still spotty, but early studies indicate it attracts younger gamblers and is strongly linked to pathological gambling.

Some worry online social gaming companies, which have become experts at using social networks such as [Facebook](#) to market their games to consumers, could use those networks to target those most likely to be addicted to casino games.

"Lawmakers are failing to protect consumers in their mad rush to approve online gaming," said Jeff Chester, executive director of the Center for Digital Democracy, a consumer advocacy group. "Without safeguards, individuals will be subjected to powerful online marketing campaigns designed to have them gamble away their hard-earned cash."

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Betting on the Web

For years, it has been illegal for U.S. companies to offer online gambling. But the situation is changing rapidly.

What's happening: New Jersey and Nevada last month joined Delaware in approving legalized online gambling in their states. The moves followed a change by the U.S. Department of Justice in 2011 in its stance on whether Internet gambling is prohibited by federal law. The states are authorizing online gambling to various degrees: New Jersey will allow all games; Nevada, only online poker.

What's next: Other states, including California, are considering whether to make online gambling legal. For now, states can authorize gambling only within their borders. But a proposed federal law would legalize interstate gambling. Alternatively, states are considering creating one-by-one agreements with other states to allow gambling between their residents and companies.

What it will mean: In states that have authorized online gambling, residents will be able to play online poker for money, buy lottery tickets online and play casino games such as slot machines or blackjack, depending on what their state has authorized. Social gaming companies, including Zynga, also hope to offer real-money wagering and prizes in their games. Some consumer advocates worry casino and social gaming companies will use sophisticated online marketing techniques to target young people and those most likely to be problem gamblers.

Source: Staff research