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## INTERNET GAMING

# JACKPOT IN JEOPARDY

Federal opinion threatens states' rights over online gambling.

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Gambling contributes a relatively small percentage to state budgets, typically between 2% and 2.5%, but that can amount to hundreds of millions or even billions of dollars, depending on the state. Gambling revenues are often earmarked for important spending categories—education, retirement programs, historic preservation—so states have an interest in ensuring that their gambling revenue streams are robust or at least stable. The reality, however, is that gambling revenues in many states have been relatively flat or even down because of increased competition and shifts in consumer preferences.

To bolster gambling revenue some states are offering casino gaming or lottery

play over the internet. It's a way to increase gambling opportunities and appeal to millennials, who, surveys suggest, are less interested in traditional forms of gambling.

Delaware, Nevada, New Jersey, Pennsylvania and the U.S. Virgin Islands allow internet gambling. Another 11 states allow some form of internet lottery play. That appears to be paying off. New Jersey, for example, has taken in \$178.9 million in tax revenue since internet gambling began in 2013 and brought in \$44.9 million in 2018 alone. After launching an online lottery in 2015, Michigan reaped \$48 million in online sales in fiscal year 2016 and \$77.9 million in fiscal 2017.

Last year, in *Murphy v. NCAA*, the U.S. Supreme Court declared the Professional and Amateur Sports Protection Act—



which prohibited most states from authorizing or licensing sports betting within their borders—unconstitutional. This opened a whole new frontier in which states could legally offer online sports betting. Since the ruling, New Jersey, Pennsylvania, Rhode Island and West Virginia have done just that, including on mobile devices. Nevada accepts online bets anywhere in the state if the bettor has registered in person at a sportsbook.

### Uncertainty Ahead

As attractive as the revenue potential of internet gambling is, there's a big caveat: It might soon be illegal again. Internet gambling was initially legalized in 2011, when the U.S. Department of Justice decided that the Wire Act of 1961 outlawed only

