

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 490

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 15, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 490 (1R), with committee amendments.

This bill authorizes Internet wagering at Atlantic City casinos which would enable New Jersey residents and persons located outside of the United States to place wagers on casino games via the Internet.

Specifically, the bill provides:

- all games, including poker, which may be played at a casino, as well as variations or composites thereof, may be offered through Internet wagering;
- all equipment used by a licensee to conduct Internet wagering, including but not limited to computers, servers, monitoring rooms, and hubs, must be located either in a restricted area on the premises of the casino hotel or in a secure facility inaccessible to the public and specifically designed for that purpose off the premises of a casino hotel but within the territorial limits of Atlantic City and all Internet wagers will be deemed to be placed when received in Atlantic City by the licensee regardless of the player's physical location within this State or outside of the United States; any intermediate routing of electronic data in connection with a wager will not affect the fact that the wager is placed in Atlantic City;
- Internet wagering in this State will be subject to the provisions of, and preempted and superseded by, any applicable federal law;
- there is imposed an annual tax on Internet wagering gross revenues in the amount of 15% of such gross revenues which will be paid into the casino revenue fund; the 8% tax on casino gross revenues will not apply to Internet wagering gross revenues; and the investment alternative tax will apply to Internet wagering gross revenues, except that the investment alternative tax on these revenues will be 5% and the investment alternative will be 2.5%, with the proceeds thereof used as provided in that section, and except that the Casino

Reinvestment Development Authority may allocate a percentage of the amount of tax generated by Internet wagering to the New Jersey Racing Commission to be used for the benefit of the horse racing industry, including but not limited to the augmentation of purses;

- the Casino Control Commission may establish a Division of Internet Wagering to which it may delegate authority for the administration of Internet wagering conducted by casino licensees; the division would be responsible for recommending regulations concerning Internet wagering for consideration and possible adoption by the commission; this would not affect the authority of the Division of Gaming Enforcement with respect to all casino gaming activities, including Internet wagering;
- the application process for a licensed casino to obtain a permit to establish Internet wagering, with the permit valid for one year and subject to renewal. As part of the application process, a casino licensee must submit to the commission for its approval a description of its system of internal procedures (including security procedures) and administrative and accounting controls for Internet wagering, including provisions that provide for real time monitoring of all games. A casino licensee must also submit its gaming software and other Internet wagering equipment to the Division of Gaming Enforcement for testing to ensure compliance with technical standards for such equipment set by the commission;
- procedures for the crediting and debiting of a wagering account;
- it will be lawful for a casino licensee to provide marketing information by means of the Internet to players engaged in Internet wagering and to offer those players incentives to visit the licensee's casino in Atlantic City;
- required features of Internet wagering to assist the wagering account holder;
- required features to assist problem gamblers and potential problem gamblers;
- penalties for violations of the provisions of the bill;
- an annual fee for Internet wagering permit holders for the initial permit and permit renewal to cover the costs of regulation by the commission and the division, with the initial fee to be at least \$200,000 and the renewal fee to be at least \$100,000; and
- an annual fee for Internet wagering permit holders of \$100,000 to be allocated to programs to prevent compulsive gambling and to assist compulsive gamblers.

Except as otherwise provided in the bill, a licensed casino's Internet wagering operation would be subject to the existing provisions

of the Casino Control Act and the regulations of the commission, including, but not limited to:

- the licensure of all employees with gaming-related duties or responsibilities;
- penalties for a violation of the act; and
- supplemental sanctions deemed appropriate by the commission for violations.

The commission and the division will adopt regulations for the implementation and conduct of Internet wagering that are consistent with regulations governing casino gambling generally.

COMMITTEE AMENDMENTS

The committee amendments:

- authorize Atlantic City casinos to offer games over the Internet to persons located outside of the United States;
- reduce the tax on Internet wagering gross revenues provided for by the bill from 20% to 15%;
- provide that the Casino Reinvestment Development Authority may allocate a percentage of the amount of the CRDA tax generated by Internet wagering to the New Jersey Racing Commission to be used for the benefit of the horse racing industry, including but not limited to the augmentation of purses; and
- make a technical change to reflect that the Department of Human Services has responsibility for the funding of compulsive gambling treatment and prevention programs.

FISCAL IMPACT:

It is not possible for the OLS to estimate the increase in State tax revenue that could be raised from Internet wagering on authorized casino games at Atlantic City casinos as provided for in this bill. While Internet wagering is popular in Europe, Internet wagering has been limited in the United States and data describing the wagering behavior of residents in New Jersey is not available. Furthermore, an estimate for New Jersey based on data extrapolated from international statistics would not be reliable.