



Ohio, other lotteries fight for chance at online market



By [Thomas Ott, The Plain Dealer](#)

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Proposed federal regulation of Internet poker in the United States would block state lotteries, including Ohio's, from selling many games online or competing with casinos for online customers.

A plan by Senate Majority Leader Harry Reid, a Nevada Democrat, and Sen. Jon Kyl, an Arizona Republican, [would allow interstate, online gambling, but only for poker](#). Supporters say the game is less susceptible to fraud because it's the players' money that changes hands and skill is involved.

States have pushed back against provisions that would forbid lotteries to sell games online, even within their borders, if drawings are held more than once a day. The measure also would prohibit lotteries from offering casino-style and other interactive games.

Reid, whose office failed to respond to requests for comment, was quoted as saying that he lacked necessary Republican support and would not act in the lame-duck session that ends Monday. But reaction to the proposal, both for and against, underscores brewing competition between casinos and lotteries for a potentially lucrative online market.

Though casinos and lotteries have distinct customer bases, lines could blur as states consider putting casino-style games online, said Kim Arnold of the Innovation Group, a company that conducts research and analysis for the gaming, leisure and other industries.

"There's interest throughout the United States" in placing traditional and casino-style lottery games online, Arnold said in an interview from Denver. "State legislators are looking at it. Lotteries are looking at it."

The Justice Department opened the door to controversy a year ago when it reversed a long-held position and ruled that federal law prohibits only sports bets from crossing state lines, not all wagers.



Vending machines dispense the Ohio Lottery's instant-game tickets. Lotteries in Ohio and other states are concerned about being shut out of the developing online market.

Lisa DeJong/The Plain Dealer

Illinois and Georgia are already selling games online inside those states and could continue under a grandfather clause in the Reid-Kyl plan, said Mark Hichar, a New England gaming-industry attorney who has studied the legislation. Hichar, pronounced "Hick-car," said slotslike video lottery terminals, in place at one Ohio horse track and likely to come to six others, also would survive if already licensed.

The Washington, D.C.-based American Gaming Association, a lobby for casinos, supports ([watch AGA video](#)) the Reid-Kyl plan. Chief executive Frank Fahrenkopf Jr. said uniform federal regulations would guard against fraud, underage gambling and other problems and keep the Justice Department ruling from turning the entire country into the "wild, wild West."

"Unless Congress acts, it will be the largest expansion of legal gambling in this nation's history," he said in an interview. "Whatever you can play in a casino, you would be able to play online."

But others say the plan plays favorites.

For the first nine months, the proposal would put licensing authority and revenue from online poker in the hands of a few Native American tribes or states -- Reid's home state of Nevada being an obvious candidate -- that have an "established track record" of gaming regulation. That is long enough to make those "benchmark" regulators the market leaders, Hichar said.

And for the first two years, only major casino companies, racetrack casinos and slot-machine manufacturers would be eligible to operate online poker games. That favors companies like Las Vegas-based Caesars Entertainment, which is already licensed to run on-line poker games in Nevada, the only state where Internet cash games can be played.

"This is geared toward Nevada," Hichar said. "This is a jobs bill for Nevada. It's also a money bill for Nevada."

The North American Association of State and Provincial Lotteries, headquartered in Ashtabula County, is fighting what it says would be an unconstitutional infringement on states' rights.

David Gale, the group's executive director, said the Reid-Kyl proposal would keep states from reaching younger, tech-savvy players who prefer access on their cell phones and other mobile devices.

"It's a critical step to remaining competitive in the marketplace," he said. "It's the emerging market."

[The Ohio Lottery has no firm plans for venturing into online sales](#) but has not ruled it out .

Executive Director Dennis Berg expressed opposition to the Reid-Kyl plan in a [Dec. 3 letter to Reid and other congressional leaders](#). While the Ohio Casino Control Commission is new, Berg's letter argues that the state has a history of overseeing the lottery, horseracing and charitable games. He said the legislation also threatens to take revenue from the lottery's main beneficiary: education.

Lottery spokeswoman Danielle Frizzi-Babb said Berg would have no further comment.

Though poker rooms are not known to be big moneymakers for casinos, nationwide online poker holds huge potential for revenue, said the Innovation Group's Arnold.

Online poker, as well as games such as blackjack and slots, represent a natural progression for casino operators that are running out of new domestic markets. Caesars Entertainment, manager and part-owner of Cleveland's Horseshoe Casino, has lobbied heavily for federal online-poker legislation. The company owns the iconic World Series of Poker.

Many gamblers are already playing free or illegal cash games online, Arnold said. Her company's research indicates that online gaming could appeal to younger, more affluent customers who might not visit casinos. [A report that the Innovation Group released this year](#) suggests that Internet gamblers might go to casinos if their online play adds to customer-loyalty points and comps.

John Uzelac, a leader in the Cleveland area's [sizable poker community](#), said many local poker fans played online for cash until the federal government shut down three large U.S. websites in April 2011.

Uzelac doesn't believe that legal online poker would take a significant bite out of participation in home games or traffic at the Horseshoe in downtown Cleveland. But he does think players would dabble in Internet tournaments.

"I'm sure most of our people would gladly go back to playing online," he said.

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