



Presentation for Attorney General Alliance

“Skill” Games Pose Serious
Challenge to Effective Gaming
Regulation

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Key Findings in Multiple States

- By any reasonable measure, ‘skill’ games meet definition of a slot machine
 - Like their regulated counterparts in casinos, these machines rely on patrons to wager money in the hope of winning more money, thus meeting the core definition of gambling.
 - ‘Skill’ is a minimal characteristic of these machines, and of the overall business model

Key Findings in Multiple States

- Presence of “skill” in these machines does not exempt them from need for:
 - Licensure
 - Owners, operators, distributors, key employees to demonstrate their good character, honesty and integrity
 - Regulation
 - Testing
 - Financial Controls
 - Internal Controls
 - Camera coverage
 - Prevention of underage gambling
 - Responsible-gaming practices

Direct Impacts

- They cannibalize casino industry and Lottery
- Their presence diminishes value of a gaming license and seriously threatens ability to meet goals of states, communities, such as:
 - Employment growth
 - Urban development
 - Tourism expansion
 - Tax revenue

Indirect Impacts

- Combination of cannibalization, diminished value of gaming license leads to less capital investment by gaming operators
- Presence of unregulated, unlicensed gaming undermines public confidence in gaming
- Unlicensed operators are setting gaming policy in states



Indirect Impacts Are Far More Serious

Brief History of Legal Gaming

- From 1931-1978, only one state offered legal casinos
- On May 23, 1978, Atlantic City opened its first casino
- Today, more than 1,000 casinos operate across the United States

Catalyst for Change in Public Trust, Acceptance

- Alchemy of licensure and regulation:
 - Comprehensive
 - Effective
 - Principled
 - Unyielding
 - Applicants have burden of proof

Central Element of Licensure

- Gaming licensure is a privilege, not a right
- Applicants for licensure must demonstrate they already possess requisite good character, honesty and integrity
- Bad actors are not welcome
 - Including those who operated outside lines of legalized gaming

How to Deal with ‘Skill’ Games

- Most popular option: Ignore them
- Most difficult option: Remove them
- Worst option: License, regulate, tax them

Why not license 'Skill' Games?

- Creates unanticipated challenges to licensed operators who have abided by the rules
- Undermines confidence in gaming as a reputable industry
- Gaming policy would not be controlled by elected, appointed policymakers