



Time to Shut Down Illegal Gambling, Highlight Benefits of Legal, Regulated Gaming Industry

By Geoff Freeman

For decades, long before legal, regulated casinos contributed billions of dollars in tax revenues and created tens of thousands of jobs and generated billions of dollars to the local economy, illegal gambling operations ran rampant in Biloxi, Mississippi. So it was a fitting locale to speak before attorneys general – the top law enforcement officers in each state – from around the country to launch a new initiative to crack down on illegal gambling in all 50 states.

Attorneys general have no shortage of law enforcement priorities demanding their time and stretching their already-overstretched resources. Yet we made the case for why illegal gambling – an underground industry that fuels criminal networks and large criminal enterprises that profoundly harm states, schools and consumers—should be right at the top of the list.

In stark contrast to the companies the American Gaming Association (AGA) proudly represents, which are some of the most heavily regulated companies in America and whose employees provide fingerprints and background information on their finances, career path and criminal history, or lack thereof, illegal gambling operations siphon valuable dollars away from education and public safety; they are neither licensed nor subject to criminal background checks, and they prey on the vulnerable, including children.

And they serve as a breeding ground for a host of violent criminal activities, such as human and drug trafficking, money laundering schemes and other large criminal enterprises.

Illegal gambling comes in four major forms. One is illegal sports betting. Conservatively, illegal sports



betting in the U.S. is a \$150 billion enterprise – but some estimates put it as high as half-a-trillion dollars. Illegal operators are free to cheat and skim, pay no taxes and their proceeds can fund violence. This market thrives in the shadows. During the Super Bowl, about \$120 million was wagered legally in Nevada sports books. We estimate that \$3.8 billion was wagered illegally.

Another form of illegal gambling is black market machines. Slots, video poker and blackjack are commonly found in bars and taverns, managed by the bartender, and presented with the disclaimer, “For amusement only.” Who verifies the fairness of these black-market machines? Who owns them? Where does the money go? In a recent New York Times article, it was estimated that up to 150,000 of these illegal machines proliferate across an underground \$1.9 billion industry in Texas.

A third form of illegal gambling is Internet sweepstakes cafes (ISCs), which can be found in storefronts, gas stations and convenience stores in more than a dozen states. These modest operations together represent a criminal Fortune 500. As many as 5,000 storefronts rake in an estimated \$10 billion a year. In Ohio, a Cuyahoga County prosecutor reported that a single ISC vendor earned almost \$50 million in proceeds.

They take advantage of state sweepstakes laws by purporting to sell unwanted products, such as Internet time or long-distance telephone minutes. The customer receives a supposed bonus of “entries” in the sweepstakes to be redeemed in online games indistinguishable from gambling, games such as “Pot of Gold Poker.” ISCs are flourishing, even in Utah, the most anti-gambling state in the nation.



Finally, there’s illegal online websites that rake in \$4 billion a year from Americans. These websites – operating out of Central America or the Caribbean – are easy to mistake for a legal operation and they look legitimate, with a sleek, corporate presentation. Yet if a customer finds his or her online account cleaned out, there is no one he or she can turn to for assistance.

The public needs to be warned about illegal gambling. They need to be protected and illegal operations need to be shut down. Thanks to strong action of attorneys general, district attorneys, sheriffs and police chiefs around the country, we are seeing progress.

Our large, comprehensive and forceful public initiative, called “Stop Illegal Gambling --Play It Safe,” is a full-fledged effort to partner with law enforcement and public officials to protect consumers, communities and the vital public services that depend on tax revenue. Through the initiative, we will launch groundbreaking research to dig into the roots of this problem, identify clear criminal patterns, look for ties to criminal enterprises and clear trails of illegal activity; and we will develop actionable intelligence to attack the central hubs of illegal gambling.

We will also create cutting-edge online tools, including a comprehensive, central repository for illegal gambling resources – a one-stop shop for law enforcement and the public, including ways to refer tips to law enforcement and provide capacity-building resources. It will also include an interactive map and a real-time illegal gambling ticker that provides the latest legislative updates and breaking news.

Additionally, we’re coalescing experts on a new advisory board that will guide our strategy. The board





will be composed of subject matter experts with experience in every level of law enforcement, including former FBI and ICE agents, attorneys general, district attorneys, U.S. Attorneys, police chiefs, and sheriffs - and we'll be collaborating with criminologists and other third parties.

Finally, we've already begun vigorously advocating for change. No organization will be more outspoken on the illegal gambling problem than the AGA. We're using our position in the industry to call attention to the issue and to push lawmakers to dedicate the resources needed to take down illegal gambling operations.

The industry and law enforcement must work together to solve this problem that is anything but a victimless crime. People across the country have lost their life savings from being ripped off by an illegal gambling operation and being left with no recourse. Communities are being wrecked by drug trafficking. Children are getting caught up in human trafficking rings. Illegal gambling operators are the authors of these heartbreaking stories.

Gaming has grown, matured and prospered as result of its lawful, regulated status. Legal gaming now supports more than 1.7 million American jobs and generates \$38 billion in tax revenues to local, state and federal governments. Gaming tax revenues go to education, public safety, infrastructure and other critical areas.

The illegal gambling that is rampant across our country is a completely different story. Through our "Stop Illegal Gambling – Play it Safe" initiative, we will take steps towards shutting down shady operators and highlighting the benefits of legal, regulated gaming in communities across the country.



Geoff Freeman is President and CEO of the American Gaming Association (AGA). In his role as chief executive of the AGA, Geoff is the leading advocate for the casino gaming industry and is responsible for positioning the association to address regulatory, political and educational challenges and opportunities.

Prior to joining the AGA, Geoff was Chief Operating Officer and Executive Vice President for the U.S. Travel Association, the nation's leading voice for increasing travel to and within the United States. Under his strategic leadership, the travel industry enacted the Travel Promotion Act, derailed an assault on corporate meetings and events, and began the march to building an army of one million employee activists. During his tenure, U.S. Travel doubled its resources.

He has led a variety of complex and successful issue campaigns during his more than fifteen years in Washington. Previously, Geoff was a Vice President with APCO Worldwide, a global public affairs firm, where he led the highly visible Partnership for Prescription Assistance (PPA). The PPA, supported by America's pharmaceutical companies, was the largest effort ever created to connect uninsured Americans with free prescription medicines.

Previously, he was the Director of Government Relations and Strategic Outreach for Freddie Mac and Director of Strategic Initiatives for the American Association of Health Plans, the leading representative of the managed care industry.

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