

Will the Christie v. NCAA Hearing Expedite Internet Gaming?

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With legalization of sports betting potentially on the horizon, there are clear implications for internet gaming. The Innovation Group believes that implementation of sports betting could be a catalyst to internet gaming expansion. Not long ago, internet gaming was at the forefront of many people's minds as New Jersey, Nevada, and Delaware were the first states to legalize intra-state iGaming. However, a myriad of other gaming topics has taken over the headlines, including sports betting.

First, some background: the U.S. Supreme Court has taken up the case of *Christie v. NCAA* regarding the Professional and Amateur Sports Protection Act (PASPA). Should the Court rule in favor of New Jersey, states will be allowed to engage in intra-state sports betting. In the event of an unfavorable ruling, there is expected to be a significant push in Congress, leading gaming industry analysts optimistic that PASPA will be overturned one way or the other.

Many states are already positioning to implement sports betting once PASPA is history. New Jersey is leading the charge, while many other states would implement over the next five years. Early counts estimate that upwards of 35 states many legalize sports betting.

But what does this have to do with internet gaming? The Innovation Group believes that a repeal of PASPA and implementation of sports betting could be the catalyst to internet gaming expansion.

States opening the legislative door to sports betting will be natural targets for iGaming initiatives, particularly states looking to overcome looming state budget shortfalls. Pennsylvania, for example, recently approved a major expansion of gaming to help the state budget, including internet gaming and pre-authorization of sports betting in the event that PASPA is overturned.

States will also have learned the lesson of regional bricks-and-mortar gaming implementation, where those late to the game witnessed the hemorrhaging of gaming spend to adjacent states, and thereby be incentivized to be the first-to-market. The last thing a state would want is to lose out on potential internet gaming, especially if other forms of gaming are already legalized in the state. Moreover, there is the lost revenue from illegal gaming activities, which provides another compelling argument for iGaming advocates.

During a recent sports betting conference, several prominent Nevada sportsbook operators noted that 30% or more of sports betting handle comes from internet operations. Even in a state with sportsbook operators spread throughout the state, the internet accounts for a large piece of the pie. In a state with minimal casino options away from large population bases, the percentage of internet sports betting (or any form of betting for that matter) would be significant. New Jersey has made a point of the importance of internet gaming to the likely success of its sports betting business. With New Jersey and Pennsylvania sports betting and online bills passing, and with New Jersey's online gaming business thriving already, we believe we'll see more and more jurisdictions legalize online gaming going forward.

Timing is difficult to estimate. Sports betting would likely launch first but once states realize the value of having both land based and internet options, internet gaming might not be too far behind. Should a favorable ruling come out, there are upwards of a dozen states that could roll out sports betting relatively quickly, some overnight, either by lack of legislation that has outlawed sports betting because it was taken care of at the federal level or states that have already passed legislation allowing sports betting (i.e. New Jersey). However, an estimation for internet gaming is much more difficult. Pennsylvania, which legalized it a few weeks ago, and Michigan are at the front and center. Other states such as California have legislation regarding internet poker. It will likely take statewide referendums to allow internet gaming in some states, and there are still many in opposition to legalized online gaming, so a firm timeframe is hard to estimate.