

# Catania Gaming Consultants



*A Catania Gaming Consultants Client Newsletter* **October 2009**

## *Bipartisan Group Sends Letter Seeking Delay in UIGEA Rule Implementation*

A bipartisan group of members of the House Financial Services Committee, including Chairman Barney Frank (D-MA), have sent a letter to the Secretary of the Treasury and the Chairman of the Federal Reserve urging them to extend the date of compliance for the final rules implementing

Frank Catania, Esq. President,  
former Assistant Attorney General,  
Director NJ Division of Gaming Enforcement,  
VP Compliance Players International.  
[frank@cataniaconsulting.com](mailto:frank@cataniaconsulting.com)

Gary Ehrlich, Esq. VP,  
former Assistant Attorney General,  
Deputy Director NJ Division of Gaming Enforcement.  
[gary@cataniaconsulting.com](mailto:gary@cataniaconsulting.com)

Keith Furlong, VP,  
former public information officer & legislative liaison,  
NJ Division of Gaming Enforcement.  
[keith@cataniaconsulting.com](mailto:keith@cataniaconsulting.com)

Joseph Kelly, Esq. Associate,  
Professor of Business Law, SUNY College, Buffalo.  
[jkelly@cataniaconsulting.com](mailto:jkelly@cataniaconsulting.com)

Toni Cowan, Esq. Associate,  
former Senior Attorney NJ Casino Control Commission,  
Nevada Attorney General's office Division of Gaming,  
and NIGC staff attorney.  
[toni@cataniaconsulting.com](mailto:toni@cataniaconsulting.com)

the Unlawful Internet Gambling Enforcement Act (UIGEA) for one more year.

The rules, scheduled to become effective on December 1, 2009, place much of the onus for enforcement of UIGEA on banks and other financial institutions. The rules are opposed by the financial services industry and other organizations, and have been subject to much criticism by Congress.

Frank said once his panel is done with reforming regulations governing the financial-services sector, he wants to bring his online gambling bill before the panel.

### *You Can't Get There from Here*

Senator Ron Wyden (D-OR) has withdrawn an amendment that would have legalized and taxed online gambling to help pay for healthcare reform. An analysis by PriceWaterhouseCoopers found that an Internet gambling tax could garner \$62.7 billion in new revenues over the next 10 years. Wyden had offered the amendment to a

healthcare bill being considered by the Senate Finance Committee.

“The last thing Sen. Wyden wants to do is make it more difficult to expand subsidies for working families by introducing a new contentious issue to the debate,” said Wyden’s communications director. “So when he offers the amendment, he will do it with other funding mechanisms.”

While senior Democrats in the House also have offered support for the concept of taxing

Internet gambling to pay for healthcare, the issue is unlikely to move forward. The healthcare debate is already heated, and Democratic leaders in the Senate signaled they do not want to introduce another controversial issue to the mix.

## ***NIGC Postpones Effective Date of Class II Rules***

The National Indian Gaming Commission (NIGC) announced a one-year extension of the effective date of the final rules for Minimum Internal Control Standards (MICS) for Class II gaming. Word of the delay came only days after an announcement that NIGC Chairman Phil Hogen would leave the agency.

Hogen's efforts to draw a "bright line" between Class II, bingo-type games and Class III games such as slot machines had generated a storm of controversy. President Obama named George Skibine of the U.S. Department of the Interior as acting NIGC chairman.

## ***New Report Warns of Relying On New Gaming Revenues to Close State Government Budget Gaps***

The Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York, recently released a report that cautions state governments against relying on the casino industry to fill budget shortfalls.

The report concluded that "States generally expand gambling operations when tax revenues are depressed by a weak economy, or to pay for new spending programs. Such policy choices implicitly treat revenues as similar to those from general tax revenues. Income from lotteries, casinos, and other gaming activities does not tend to grow over time as rapidly as general tax revenue, however."

The report looked at four areas of legalized gaming — lotteries, casinos, racinos, and pari-mutuel wagering. All states except Hawaii and Utah collect revenue from lotteries, casinos, racinos, or pari-mutuel wagering. For a full copy of the report, please see [http://www.rockinst.org/pdf/government\\_finance/2009-09-21-No\\_More\\_Jackpot.pdf](http://www.rockinst.org/pdf/government_finance/2009-09-21-No_More_Jackpot.pdf)

## ***Carruthers Enters Revised U.S. Guilty Plea***

Former BetonSports executive David Carruthers has entered a revised guilty plea before a federal court in Missouri. A U.S. Justice Department spokesperson confirmed that Carruthers will now face sentencing in January 2010.

Together with BetonSports' founder, Gary Kaplan, and several other individuals, Carruthers was originally indicted in 2006 on charges including mail fraud, tax evasion and violating the Wire Act, which prohibits the offering of sports wagering across state lines in the U.S. Carruthers was arrested by U.S. authorities in the summer of 2006. In August 2009, Kaplan pled guilty to racketeer-

ing conspiracy and other charges in exchange for a recommended sentence of between 41 and 51 months.

Carruthers had earlier pled guilty to one charge of racketeering conspiracy. Although precise details regarding Carruthers' new plea arrangement with prosecutors remain unclear, the plea may well be to a lesser charge. However, Carruthers could still receive several months jail time even if pleading guilty to a lesser charge, according to Professor Joseph Kelly, an Associate of CGC. "That gives everyone a face-saving way out," he said.

### ***Multi-Million Dollar Sports Betting Ring Busted by New York District Attorney***

Thirty individuals and one corporation have been charged in New York with unlawfully operating a sports betting enterprise that stretched from Queens County to Nevada and from Rochester to Florida. The alleged bookmakers used various Internet websites, including betallsportshere.com, justwagers.com, betmsg.com, betonline.com and betrr.com, as well as toll free telephone numbers. The sites allegedly took in more than \$20 million a month, and one defendant arrested as he was boarding a plane to Panama had \$24,000 in cash on him. The indictments indicate that this was an organized crime run sports betting business, with its only off-shore location being Panama.

### ***Florida House Reaches Out to NIGC in Attempt to Stop Seminole Casino***

Florida House of Representatives Speaker Larry Cretul has sent a letter to George Skibine, acting chairman of the NIGC, asking that the federal government stop casino games on the Seminole Tribe's reservation. The state and tribe have been unable to reach a resolution as to the amount the Seminoles will pay to Florida for allowing the Tribe to offer casino games.

Credul wrote in his letter to Skibine: "The disadvantages to the state in attempting to negotiate a compact under the present circumstances are clear." He went on to say: "Until the banked card games (and slot machines) are shut down and the tribe gives some indication that it is willing to abide by the law, and ultimately its agreements, it would appear that the state would be ill-advised to enter into any compact with the tribe."

A spokes person for Skibine said the letter had been received, but the NIGC had not made any decisions. Based on the history of his matter, it does not seem probable that the acting Chairman will take any action.

### ***LA Times Calls U.S. Position on Internet Gaming Absurd***

Michael Hiltzik, in an article for the *Los Angeles Times* entitled "***Calling America's bluff on Internet gambling***," opines that "no issue brings out America's talent for self-deception like gambling." After briefly summarizing bills introduced in Congress by Rep. Barney Frank (D-MA) and Sen. Robert Menendez (D-NJ) as a means to regulate online gaming, Hiltzik talks about the poten-

tial benefits, including assistance with issues of problem gambling and revenue, available in regulating rather than attempting to prohibit Internet wagering.

“It's fair to say that the American approach to Internet gambling, which is legal in much of the rest of the world, is absurd. (Indeed, the federal ban placed the U.S. in Dutch with international trading partners that host online gambling companies, which have complained to the World Trade Organization that it violates trade treaties the U.S. signed). State laws are wildly inconsistent and sometimes hypocritically excessive.”

CGC's own Joe Kelly is quoted throughout the article, at one point stating that "Martians might have a difficult time understanding that if you play poker online for money in the state of Washington, you're committing a class C felony. ... That's the same as rape."

Way to go, Joe! The entire article can be found online at [www.latimes.com/business/la-fi-hiltzik19-2009oct19,0,1924643.column](http://www.latimes.com/business/la-fi-hiltzik19-2009oct19,0,1924643.column).

