

Regulating Land-Based Casinos

Policies, Procedures, and Economics

Anthony Cabot and Ngai Pindell, editors



UNLV Gaming Press

Editors' Note

Once restricted to exotic locations like Las Vegas, Macau, and Monte Carlo, casinos are now operating in many cities nationally and internationally—from the Maryland waterfront to Ho Chi Minh City. This expansion of the gaming industry, both geographically and economically, raises new and important policy questions about the role of government in gaming regulation, the obligations and opportunities for casinos, and public support for gambling and gaming tax revenue. The contributors to this book have decades of experience in gaming regulation and business and are optimistic about the future of gaming and casinos. Each author critically engages the subject and offers his or her insight into what works—and what does not—in the gaming business and gaming regulation.

Whether a jurisdiction is considering legalizing gaming or deciding how to regulate an existing gaming industry, it should engage in a careful cost-benefit analysis informed by available data and the jurisdiction's particular public policy goals. Each chapter in this book considers a key component of this process. The chapters collect and analyze gaming research from a wide variety of disciplines, including law, business, social sciences, economics, and tax to explain the many approaches a jurisdiction might take to identify and address important policy goals and to suggest emerging issues that require additional research and data. The chapters also incorporate extensive industry experience and examples to investigate the effects of different regulatory practices on the gaming industry, industry stakeholders, and the public.

The seventeen chapters in this book can be divided into four, integrated parts. Chapters 1-6 explore the structural components of a successful gaming regulatory regime. A jurisdiction must identify its specific public policy goals and the appropriate policies and procedures to implement them. It can determine the appropriate configuration of agencies and practices to achieve these goals through identifying specific economic, fiscal, and social policy choices and measuring the economic benefits and costs of gaming. A jurisdiction should also be mindful of the costs to the public and to the gaming industry from creating too much, too little, or misdirected regulation.

Chapters 7-9 focus on how a successful gaming regulatory regime must continually reassess risks and respond appropriately to changing values, evolving technology, and new industry developments. These chapters address issues including ethics and possible criminal behavior, industry compliance programs, and the potential for money laundering. The authors consider how the gaming industry can ensure that industry business practices and adopted regulatory regimes are consistent with federal and state public policy goals. At the same time, the authors address the nexus between these public policy goals and the gaming industry. The global growth of gaming depends on public confidence that the industry is free from criminal participation and influence. But statutes and regulations aimed at promoting broad policy goals—like preventing bribery, corruption, and similar crimes or preventing criminals from using the financial system to launder the proceeds from illegal activities—can sometimes conflict with more focused gaming norms and business practices.

Chapters 10-13 describe particular issues of importance to a regulatory regime in the gaming industry. Players who cannot moderate their gambling activity require protection and treatment. Rapid advancements in gaming technology require government regulators to be technically proficient to ensure that games are honest and fair. Effective audit and accounting procedures must ensure the proper taxes are collected, prevent unlicensed people from sharing in casino profits, protect against fraud, ensure the integrity of games, and protect the financial stability of casinos. And identifying the right tax policy for a jurisdiction requires careful consideration of the effects of the tax on the gaming industry itself, complementary industries, and external factors like increased law enforcement needs.

Chapters 14-17 reinforce the ethics and integrity themes in earlier chapters by focusing more directly on the interrelationship between regulatory regimes and individual stakeholders. The contract relationship between a casino and a player is tested when either party uses information or techniques to gain a playing advantage that the other party regards as unfair, unexpected, or even criminal. The applicant for a valuable casino license undergoes a rigorous investigative process that, while necessary to safeguard the integrity of the gaming industry, can also lead to unanticipated and unnecessary consequences for both the regulator and the regulated. Finally, some individuals are subject to exclusion from casinos due to criminal activity, cheating, advantage play, or self-exclusion. These chapters consider how regulations can best respond to these tensions among public policy goals, industry practice, and the players' gaming experience.

We are grateful to the many people who worked to put this book together. UNLV Boyd School of Law students Brittany Cermak, Chandler Pohl, Neethy Eapen, Geneviève Generaux, Lee Gorlin, Evan Simonsen, Kevin Schweitzer, and Elijah Tredup edited the individual chapters and worked with the authors. Thank you to Catherine Bacos, Vaneh Movsesian, Annette Mann, and Kerry Martinez for their editorial and admin-

istrative support. Ingrid Mattson provided excellent copy editing work. David G. Schwartz, Director of the UNLV Center for Gaming Research and Publisher of the UNLV Gaming Press, directed the design and publication process. Finally, thank you to UNLV deans Daniel Hamilton (Law), Patricia Iannuzzi (Library), and to the law firm of Lewis Roca Rothgerber for their continuing support of this important research.

Anthony Cabot and Ngai Pindell, editors
July 2014