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# Could Interstate Poker Help Lay Groundwork For U.S. Online Casinos?

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**Michigan doubles number of players in U.S. internet poker pool**

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**Debate under way if interstate compacts comply with federal law**

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**No appetite to ask Congress to update federal gambling statutes**

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The addition of Michigan to an interstate internet poker compact is the latest sign of the gaming industry's transition to the digital market, as it pursues its ultimate goal of achieving a massive expansion of online casinos similar to the explosive growth of sports betting.

Michigan is the fourth state to join a multistate online poker compact created by Nevada and Delaware in 2014.

New Jersey joined the compact on May 1, 2018.

Pennsylvania and West Virginia, which also allow online poker, already are being **targeted as top prospects** by internet poker lobbyists.

So far, it has been a barren year for internet poker or online gaming expansion — until Michigan made headlines.

“Michigan has a population of 10m, so it nearly doubles the liquidity pool,” said Jeremy Kleiman, a gaming attorney with the Saiber firm in Florham Park, New Jersey.

States must regulate internet poker in a way that encourages more players to participate, according to Jeff Ifrah, founder of the online gambling association iDEA Growth in Washington, D.C.

“There is still a huge unregulated poker operation in the U.S., and we need as many tools as possible to combat that,” Ifrah said.

After being crippled by **Black Friday** on April 15, 2011, when the U.S. Department of Justice shut down its illegal offshore websites, internet poker is now a relatively small part of the gaming industry’s digital portfolio, which also includes online casino games in six states and mobile sports betting in more than 20.

Still, a reasonable argument can be made that online poker and internet gaming are inextricably linked.

“I think they’re always going to be a package deal,” said John Pappas, former president of the Poker Players Alliance and the current CEO of Corridor Consulting.

“I wish we could see internet poker as a standalone bill in a lot of states, but quite frankly, I don’t think the industry is prepared to support internet poker as a standalone because it is a very low-margin business,” Pappas said.

“Low-margin” also is one of the most common descriptions of sports betting.

But the conventional mindset in the gaming industry is that sports gambling combined with internet poker could lay the groundwork for the real goldmine: internet casinos.

Perhaps even more significantly, the compact model is being discussed as a means to work around troublesome federal statutes such as the U.S. Wire Act of 1961, the Indian Gaming Regulatory Act of 1988 (IGRA) and the Unlawful Internet Gambling Enforcement Act (UIGEA) of 2006.

Reluctant to lobby Congress for changes in these antiquated federal laws because of the consequences that might follow, the gaming industry is exploring interstate compacts as a possible solution.

“I think it’s a legal way of conducting (gambling) in a way that is compliant with the Wire Act and UIGEA,” Pappas said.

“This is something that I think... iGaming casino(s) particularly — internet slots, progressive slots — will be looking at as an opportunity.”

The debate about the efficacy of interstate gambling compacts in complying with federal gambling restrictions may be just beginning.

“I don’t know how important this type of interstate (poker) agreement is for other forms of

iGaming, which don't have the same liquidity needs as poker," said Behnam Dayanim, a leading gaming attorney in Washington, D.C. with the Paul Hastings firm.

"But there certainly is legal room to explore other types of interstate coordination with online casino games if the business needs point in that direction and state regulators decide to permit it."

Interstate compacts would not work for online sports betting, Dayanim said, which "falls squarely within the scope of the Wire Act" but "poker and iGaming — according to the courts — do not."

Kleiman is skeptical about the impact of online poker on the future of internet casinos.

"For example, poker represents only 2 percent of iGaming revenue in New Jersey," Kleiman said.

It also should be noted that Michigan law allows multistate gambling compacts for poker only.

"We don't anticipate major changes in the overall Michigan internet gaming market," said Mary Kay Bean, communications specialist for the Michigan Gaming Control Board.

## Jurisdictions

**Michigan**

**Delaware**

**Nevada**

**New Jersey**

**United States**

## Sectors

**Online Gambling**

**Poker/Cardrooms**