

Online gaming revenue falls short

By Adrienne Lu, Stateline.org

State lawmakers who dream of dollar signs from legalized online gambling might want to pause for a moment to consider Delaware, Nevada and New Jersey.

Last year, the three states became the first in the country to legalize Internet gaming. But as New Jersey Treasurer Andrew Sidamon-Eristoff told state lawmakers earlier this year: "Clearly, the results so far have not met our expectations."

New Jersey officials initially predicted legal online gambling would boost state tax revenues by \$180 million in fiscal 2014. By the time Republican Gov. Chris Christie signed the budget last June, the figure had been revised downward to \$160 million.

By the end of May, one month shy of the fiscal year's end, the state had taken in just \$9.3 million in revenue from online gambling, according to the nonpartisan Office of Legislative Services. And with collections in April and May falling below those in March, online gambling isn't even trending upward. State officials have blamed the slow start on technology glitches and payment processing issues.

Nevada and Delaware, which have much smaller populations than New Jersey, also have collected only modest revenue from online gambling.

In Delaware, state officials had counted on \$7.5 million in additional tax revenue in fiscal year 2014. But because of a delayed rollout and one-time startup costs, Internet gaming made no net contributions to the state budget in fiscal 2014, state officials said. The startup costs included software

design and data servers to host the gambling.

In Nevada, officials opted not to make revenue projections for the nascent industry – or to count on the money in its budget. The state, which legalized only interactive poker, generated about \$700,000 in tax revenue from about \$10.2 million in gaming wins from May 2013 through April of this year, according to Michael Lawton, a senior research analyst with the Nevada State Gaming Control Board.

“We just didn’t feel that it would be wise to put out a number,” Lawton said. “It was just too much unknown.”

In March, Morgan Stanley chopped its market projection for the U.S. online gaming industry by 30 percent, from \$5 billion to \$3.5 billion by 2017, “to better reflect the insights we have gained following the first few months of operations” in Delaware, Nevada and New Jersey.

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