Unregulated Gaming Machine Fact Sheet

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AGEM
Association of Gaming Equipment Manufacturers

AMERICAN GAMING ASSOCIATION

What is regulated gaming?

Regulated gaming machines include casino slot machines with random number generators (RNGs), video poker machines, Class II video bingo machines, video gaming terminals (VGTs), video lottery terminals (VLTs), historical racing machines and other electronic gaming machines (EGMs) that have received both hardware and software approvals from authorized testing agencies and state gaming boards and offer player protections related to game integrity, promised payback percentages, last-game recall and prominently displayed rules and game-play characteristics.

What is unregulated gaming?

The entire family of unregulated machines – often referred to as "amusement" games to present a false impression of innocence – falls into the "gray" category — as in a "gray" legal area that opens the door for illicit activity that often starts with the message these "gray" games are legal under some cleverly exploited legal loophole. "Gray" machine categories include "sweepstakes," "skill," "nudge," "zero chance," "no chance," "pachislo" and "8-liners." At the other end of the spectrum, regulated machines operate in a black and white legal environment.

Complete definitions can be found in the GLOSSARY.

"Organizations that are opposed to the spread of unregulated gaming"

American Gaming Association (AGA)

Association of Gaming Equipment Manufacturers (AGEM)

BMM Testlabs

California Nations Indian Gaming Association (CNIGA)

Canadian Gaming Association (CGA)

Casino Association of Indiana (CAI)

Colorado Gaming Association (CGA)

Gaming Laboratories International (GLI)

Illinois Casino Gaming Association (ICGA)

International Association of Gaming Advisors (IAGA)

International Center for Responsible Gaming (ICRG)

International Gaming Standards Association (IGSA)

Iowa Gaming Association (IGA)

Louisiana Casino Association (LCA)

Missouri Gaming Association (MGA)

National Council on Problem Gambling (NCPG)

National Indian Gaming Association (NIGA)

National Tribal Gaming Commissioners & Regulators (NTGCR)

Nevada Resort Association (NRA)

North American Association of State and Provincial Lotteries (NASPL)

Oklahoma Indian Gaming Association (OIGA)

Regulatory Management Counselors (RMC)

Washington Indian Gaming Association (WIGA)

LINK – **Illinois State Representative caught up in alleged sweepstakes machine bribery scheme**

Whatever the name given or manner of play, all these unregulated games have three common attributes:

1. The games have not been affirmatively approved by the State under a regulatory system administered to protect the public.

2. The operators of the games are not subject to the suitability examinations and licensing for gambling operators imposed by State law.

3. The sponsors, proponents and operators of the games always claim reliance on some exception or "interpretation" that the machines are not gambling games because either —

   - Consumers use their skill, knowledge or dexterity to play and therefore there is no "chance" involved in the game; or,

   - The game is made available without the consumer directly paying money into the machine to play, although the consumer may have given valuable consideration for some other good or service as a pretext to gain access to use the machine.

> **Unregulated gaming machines designed to look like regulated slot machines fool players into thinking they are getting a fair chance, rarely include any responsible gaming features and enrich only the unregulated machine companies and locations while creating a burden for law enforcement, healthcare providers and regulators. Furthermore, unregulated gaming increases social costs and criminal activity and provides questionable tax or other benefits for the states where it exists.**

LINK – **Legal uncertainty opens door to machine dispute in Virginia**

The Consequences:
Crime, Consumer Abuse and Damaged Policy Initiatives

There are several undeniable repercussions from the existence of unregulated games, and each is left to the State to remedy.

1. The public is exposed to gambling games that have not been tested for honesty, integrity and fairness. No State regulator has determined that the games are not cheats.
   CLICK FOR MORE DETAIL

2. Consumers do not have a readily available, impartial and effective method of resolving disputes with game operators under a process sanctioned by the State.
   CLICK FOR MORE DETAIL

3. Because these forms of gambling are unregulated, the operations are ripe for criminal activity, including money laundering, loan sharking, bribery and extortion.
   CLICK FOR MORE DETAIL

4. Weak or ambiguous laws allowing so-called amusement devices are exploited by operators to foster illegal gambling that become a constant drain on law enforcement resources.
   CLICK FOR MORE DETAIL

5. The state and local governments are deprived by the unregulated games and the businesses operating these games of the taxes and fees imposed on legitimate gaming operations.
   CLICK FOR MORE DETAIL

6. State responsible gaming policy mandates to provide protections and services to problem gamblers are emasculated.
   CLICK FOR MORE DETAIL

7. Unregulated games and the businesses operating these games are a fertile environment for scandal – including widespread underage gambling by minors – damaging the reputations of state, local communities, and legitimate regulated lotteries and casinos, with the fallout impacting tourism, tax revenues, economic development and commerce.
   CLICK FOR MORE DETAIL

LINK – **Illegal slot machines in Missouri subject of Senate crackdown**

The Solutions:
Effective Efforts to Attack Unregulated Games

Several states have pursued successful strategies to tackle the proliferation of unregulated games. These are some other best practices that states can adopt to provide effective tools to curtail operation of unregulated gambling machines:

1. Establish a small state and local government task force of experienced prosecutors and law enforcement officers with the mission of investigating and bringing select enforcement actions. Provide media support fostering a significant public profile for the task force and its efforts, which can include setting up a hotline for the public to report unregulated machines and can have a broad deterrent effect with just a few successful cases.

2. Given unregulated games are typically operated at venues with state or local privileged liquor licenses, implement a periodic inspection program targeting liquor licensees for administrative discipline for operating unregulated games.

3. Adopt or amend an amusement or sweepstakes game machine registration program requiring all devices to have a state issued certification sticker affixed for which a fee is imposed. Require in the registration application a detailed description of the devices that will be operated at the venue and deny the applications where the devices do not strictly adhere to the state's amusement game laws. Support this program with targeted inspections and seizures of unregistered devices or devices that received registrations based on misrepresentations in applications.

4. Use state and local business license issuance and administration to inspect locations that would typically operate unregulated gray games. Most business licensing laws require the licensee to operate consistent with state and local law. A business licensee who could lose the license to conduct business altogether will be more cautious in operating prohibited machines.

5. Leverage atypical enforcement tools. For instance, many states have deceptive trade practice laws with significant civil and criminal penalties for businesses that operate without all required licenses and approvals, or that engage in businesses that violate any law.

6. Enact statutory changes that provide clear and detailed legal guidance on what is a permitted form of regulated electronic gambling device and what types of regulated amusement or entertainment games are allowed, and declares possession and operation of other types of machines is unlawful and a crime.

LINK – **Missouri Lottery say gray machines have cost state $50 million**

Spotlight on current environment in Pennsylvania

Based on a 2014 ruling in Beaver County Common Pleas court, so-called "games of skill" have popped up everywhere in Pennsylvania. Unregulated machine companies often test the limits of the law by seeking a court ruling from those who often don't understand the working mechanics of the unregulated machines. The Pennsylvania ruling is indeed such an example and has now created momentum to stop the spread of the machines.

A subsequent ruling from the Commonwealth Court on Nov. 20, 2019, determined that Pennsylvania "games of skills" should be classified as slot machines licensed by the Pennsylvania Gaming Control Board (PGCB), though the ruling also noted the PGCB does not have jurisdiction over the bars and other locations where these games are installed.

To its credit, the Pennsylvania State Police responded in December by seizing the unregulated devices from five bars in Daupin and Cumberland counties and more raids were stalled by yet another legal challenge that has added to the confusion in the Commonwealth.

A subsequent ruling on Jan. 21, 2020 gave the go-ahead for State Police to resume seizing skill games. In typical fashion to foster confusion, the offending machine company made disingenuous claims in a press release after the ruling. The offending company sought an order from the Court stopping seizures by the State Police of its machines and the court found that the offending company had not "met its burden of proving the injunction was necessary" and refused to grant the injunction. With the court expressly concluding that an injunction would be contrary to the public interest, the company lost and then tried to spin a story of victory in its a press release.

For its part, the PGCB has indicated its desire for the removal of unregulated machines that are negatively impacting the regulated casino market that has invested billions of dollars in jobs and quality gaming entertainment locations. Moreover, the Pennsylvania Legislature is poised to addresses this issue and a statewide campaign has emerged to stop the spread of these machines, with more information found at www.PAAgainstIllegalGambling.com.

Other States in the news fighting unregulated machines

California | District of Columbia | Florida | Georgia | Illinois

Missouri | Nebraska | Ohio | Texas | Virginia

LINK – **Pennsylvania State Police can resume seizing skill games**

Glossary

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"**COAMS**" are coin operated amusement devices, which similar to 8-Liners are legal when operated consistent with State law, such as in Georgia, but which manufacturers and operators use illegally by making cash payouts instead of awarding limited value prizes of food and beverage.

"**Gray games**" refers to the entire family of unregulated machines – as in a "gray" legal area that opens the door for illicit activity that often starts with the message these "gray" games are legal under isolated interpretations. Regulated machines operate in a black and white legal environment.

"**Nudge**" refers to machines with a feature where a player can touch the screen to move a symbol into a winning position, and are simply a variation on claims that the games include an element of "skill" that makes these games legal because they are not reliant entirely on "chance."

"**Pachislo**" also known as "skill stop" machines, are devices inspired by the Japanese machines of the same name, but have been modified in an attempt to present the games as legal in the U.S. and oftentimes require special tokens for game play.

"**Sweepstakes machines**" are devices that generally allow players to receive a coupon in exchange for money to redeem for merchandise online that creates credits for play on games that mimic slot machines.

"**Sweepstakes parlors**" or "**Internet cafes**" are an extension of the "sweepstakes" category, these unregulated locations generally have multiple computer screens and advertise and sell a product – oftentimes internet time or long-distance telephone minutes – that the player does not want, but the player also receives "bonus entries" that fund the game play that are claimed to conforms to local "sweepstakes" laws but not to applicable gambling laws.

"**Skill-games**" are machines billed as "skill" and are designed to circumvent local rules that prohibit "chance" games that not conforming to the regulations that govern casino slot machines. By adding a "skill" element, these machines companies claim their games are legal even though they remain unregulated and still include "chance" that players can never beat. These "skill" machines are not anything like "skill-based gaming" that is highly regulated in casino jurisdictions such as Nevada and New Jersey.

"**Zero chance**" or "**no chance**" games are those that involve devices programmed in another attempt to circumvent State law prohibitions on "chance" games. "Zero chance" or "no chance" games also may include a feature that can reveal the outcome of the next play in advance, allegedly making them "skill" games that force players to make a decision to get to an outcome.

"**8-Liners**" are legal entertainment games, operated primarily in Texas, that are allowed to award "cash" of $5.00 or less, but operated unlawfully by awarding cash equivalents such as a prepaid debit card for considerably more that permitted by statute.

About AGEM

The Association of Gaming Equipment Manufacturers (AGEM) is a non-profit international technology trade association representing manufacturers and suppliers of electronic gaming devices, lotteries, systems, game content, table games, online technology, sports betting, key components and support products and services for the gaming industry. AGEM works to further the interests of gaming equipment suppliers throughout the world.

About AGA

The American Gaming Association is the premier national trade group representing the $261 billion U.S. casino industry, which supports 1.8 million jobs nationwide. AGA members include commercial and tribal casino operators, gaming suppliers and other entities affiliated with the gaming industry. It is the mission of the AGA to achieve sound policies and regulations consistent with casino gaming's modern appeal and vast economic contributions.

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