

INTERNET SWEEPSTAKES CAFÉS:

A Survey of Law Enforcement Perceptions

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INTRODUCTION

Gambling in the United States operates within a relatively strict framework of government regulation. Traditionally, these restrictions have applied primarily to brick and mortar gambling establishments, but according to Freese (2005) and Franklin (2001) the evolution of the Internet and technology has not only made gambling more accessible but also has provided a loophole for those involved in the gaming and video industry to elude government regulation. The U.S. Department of Justice has maintained under the 1961 Wire Act that Internet gambling is illegal in the United States (Cornell University Law School Legal Information Institute, 2010). Still, Internet gambling persists and has produced great concern among state and local law enforcement who have sought to prohibit and regulate these activities and operations.



Despite the federal government's willingness to prohibit and prosecute Internet gambling cases and operations, the continued prevalence of these activities demands exploration to provide clarification as how state and local law enforcement agencies should deal with the proliferation of recent gambling enterprises, known as Internet sweepstakes cafés, surfacing around the country which are posing challenges to current state gambling laws. As fairly recent developments, current definitions of gambling as presented through federal and state statutes do not adequately address these operations, presenting enforcement and prosecution challenges to many state officials and law enforcement.

This report seeks to examine current federal and North Carolina state gambling laws as applied to Internet sweepstakes cafés and present the findings of a statewide survey of sheriffs and local police chiefs regarding their perceptions, attitudes and beliefs surrounding the proliferation of Internet cafés and sweepstakes operations. Additionally, the survey sought to gather data regarding the amount of reported and perceived criminal activity and nuisance complaints associated with these business types. Opinions were also sought regarding barriers to effective regulation and viewpoints on proposed legislation were solicited in an effort to portray how the state's law enforcement executives perceive and respond to Internet sweepstakes cafés.

LITERATURE REVIEW



The most widely cited federal statute prohibiting Internet gambling is the 1961 Interstate Wire Wager Act (18 U.S.C. 1084) which criminalizes the use of wire communication for the transmission of interstate or foreign commerce of bets and wages or any information assisting in the placing of bets or wages on any sports event or contest. This act makes it illegal for gambling providers to offer or to take bets from gamblers over the telephone lines or through wire devices unless the act is authorized by state government. According to Franklin (2001), the U.S. Department of Justice has applied the term through wire devices to prosecute interstate and international transactions over the Internet and in 2006 the U.S. Second Circuit Court demonstrated the willingness of the federal judiciary to uphold Internet gambling convictions through the 1961 Wire Wager Act. However, some legal scholars disagree with federal lawmaker's interpretations of the statute and are inclined to agreement with the U.S. Fifth Circuit Court of Appeals 2002 ruling (In Re: MasterCard International Inc., Internet Gambling Litigation) which

construes the statute to apply only to sports betting (Chiang, 2007) as demonstrated by *U.S. v Jay Cohen*. Such disagreement has left many in the video and gaming industry to conclude that other forms of Internet gambling may be legal (Manter, 2003) i.e. online casino or online poker, the most popular forms.

A congressional bipartisan initiative, the Security and Accountability for Every (SAFE) Port Act (Lungren, 2006), under the Bush administration sequentially attempted to prohibit Internet gambling enacting the Unlawful Internet Gambling Enforcement Act (UIGEA) with the aim of reducing the revenue flowing to illegal Internet gambling operations. Specifically the act bans the use of credit, check, draft and electronic funds transfer to place bets with any online gambling operation. The Unlawful Internet Gambling Enforcement Act (2006) is problematic according to some legal scholars in that it fails to clearly define unlawful Internet gambling and instead relies on pre-existing and already problematic federal law (Conon, 2009) such as the 1961 Wire Act. This act only prohibits the transfer of funds from individual bettors in Internet gambling. It does not hold individuals criminally responsibly nor does it explicitly make the act of gambling on the Internet illegal, on the contrary, it makes funding or transacting an individual's bet on the Internet illegal (Suarez, 2006).

This last limitation is especially problematic for state lawmakers, prosecutors and law enforcement officials who are looking for guidance as how to properly and effectively define gambling as applied to the Internet. This limitation has become an emerging issue as law enforcement and legislators are increasingly expanding their efforts to prohibit the rise of local Internet or sweepstakes cafés from springing up across the United States as demonstrated most recently by news and media reports (Saulny, 2010) in California, Utah, Florida, Virginia, Texas and North Carolina. To elude government oversight and regulation, those in the video gaming industry have devised alternate methods of payment by allowing patrons to pay for phone or Internet time in order to access the computerized games.

CONCERNS OF FEDERAL & STATE GOVERNMENT



Academic and legal research explaining the proliferation, legality and specifically law enforcement perceptions and best management practices surrounding Internet sweepstakes cafés in the United States is severely limited. However, many academic and legal scholars have produced a wide range of research and legal commentary on the legality of Internet gambling and the concerns of federal, state and local law enforcement agencies in regulating or prohibiting traditional online gambling operations.

Findings from the National Gambling Impact Study Commission (1999) estimated that 14.5 million gamblers waged \$651 million over the Internet in 1998 doubling from the previous year of 6.9 million gamblers waging \$300 million. The Commission also found that the revenues of companies that produce software for online gambling operators grew from \$445.4 million in 1997 to \$919.1 million in 1998 (NGIS Commission, 1999). Compared to approximately 30 million gamblers who travel to Las Vegas on average each year, Conon (2009) suggests that these numbers are projected to increase due to the inadequacy of current law enforcement to prohibit an activity that by nature crosses national and state borders and the inability for state courts and lawmakers to clarify the laws prohibiting and/or regulating Internet gambling.

As increasing numbers of individual bettors participate in unregulated or prohibited Internet gambling one of the primary concerns of government is the loss or reduction of tax revenues collected from legalized gambling operations (Manter, 2003). Discussing the relationship between the U.S. economy

and Internet gambling, Hammer (2001) suggests that the increase of individual online bettors and wagers may also be responsible for a loss of valuable jobs and fees associated with traditional gambling operations.

Manter (2003), Conon (2009) and Franklin (2001) all cite increasing crime both violent and non-violent involving theft, assault, fraud and money laundering as concerns of state and federal government. Manter (2003) discusses the negative effects of Internet gambling on the consumer credit card industry and the increase of problem gambling in the absence of safeguards to protect against gaming addiction and underage gaming. In addition to these, the National Gambling Impact Study Commission identified additional problems including the dual protection of anonymity and encryption provided by the Internet and the potential for abuse by gambling operators who can alter, move or entirely remove sites within minutes as well as the ability of computer hackers or gambling operators to tamper with gambling software to manipulate games to their benefit (NGIS Commission, 1999).

Investigations by the Florida Department of Law Enforcement have corroborated such findings in regards to forensic testing on confiscated computer terminals through identification of a kill switch in some closed sweepstakes cafés (Bullough, 2010). Managers or owners (as found in some Florida cases to be based out of Canada) can activate these kill switches during raids to sever connection between the main server and computer terminals on site, erasing data valuable to prosecutors. It is also probable that games can and are being manipulated through the main server.

NORTH CAROLINA STATE & MUNICIPAL ACTION

In reaction to the pervasive nature of the Internet and illegal Internet gambling operations, several states have already introduced or passed legislation prohibiting Internet gambling. Perhaps making a statement, Nevada criminalized the placing of an Internet bet in 1997. Following suit, Louisiana, Illinois and Texas all introduced or passed legislation criminalizing the individual, operator/designer or both for gambling by computer/Internet or for accepting a bet/wager from an individual (Brechtbill, 2001). Other states, including Minnesota, New York, Missouri, Wisconsin, New Jersey and North Carolina, have taken steps to



prosecute parties involved in online gambling utilizing pre-existing state statutes. Yet despite current state laws prohibiting online gambling, with the new development of Internet sweepstakes cafés, most states are having difficulty investigating and prosecuting these cases due to the inconsistent application/enforcement of state gambling laws, an inability of state legislatures to clarify state gambling laws and/or the difficulty of state officials and law enforcement to determine if the operations of these businesses constitute gambling under state statutes.

Like many other states, North Carolina's law enforcement officials are having difficulty prohibiting Internet gambling operators who have found a loophole around state statutes (Robertson, 2010). As demonstrated by many media and news reports, this difficulty has also been attributed to the inability of the state legislature to clarify state gambling laws. In 2006 the legislature banned the operation of video poker machines across the state. However, since then North Carolina has witnessed the opening of hundreds of Internet sweepstakes cafés (Browder, 2010c) across the state which many officials believe are illegal, operating under a loophole in the 2006 N.C. State Law (G.S. § 14 306) which prohibits

the use of any video gaming machine that requires the deposit of any coin or token or the use of any credit card, debit card or any other method that requires payment to activate any of the games listed (as banned). In response to the spread of these Internet sweepstakes cafés, the legislature amended the bill in 2008 in an attempt to ban the operation of these businesses by expanding the definition included in the ban to mean any game or any game based on or involving the random or chance matching of different pictures, words, numbers or symbols not dependent on the skill or dexterity of the player” (G.S. § 14 306.1A).



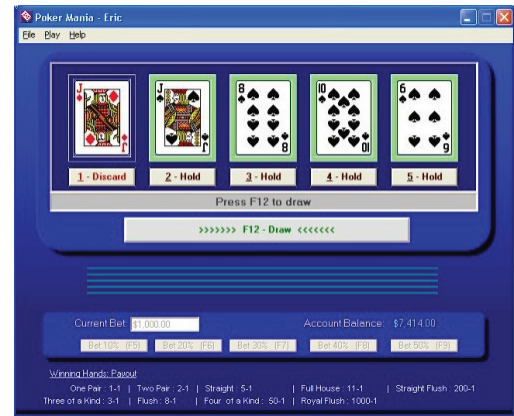
As argued by Internet sweepstakes café owners, contrary to the law, patrons are paying for Internet time (not to gamble) and the sweepstakes offered on the computer are predetermined (Associated Press International, 2010), thus arguably eroding federal jurisdiction under the Unlawful Internet Gambling Enforcement Act and 1961 Wire Wager Act, in addition to the definition of gambling as determined by current North Carolina statutes. Such sentiment was reflected when despite the 2008 amendment to the N.C. Video Poker ban, a Guilford County Superior Court judge ruled in favor of Internet sweepstakes café owners and operators, deciding that the businesses were not covered by the previous law or amendment and thus not subject to legal action and/or removal by the state (Robertson, 2009).

Issuing an injunction, the ruling has prevented local and state law enforcement from enforcing the 2008 amendment to the 2006 Video Poker ban. Judges in two other counties (including Wake) have also ruled in favor of video game distributors and operators arguing that the video screens in the Internet cafés are not covered by either the 2006 law or the 2008 amendment because these businesses are designed to market legal products or these games do not meet the definition of gambling as defined by state law. Such rulings pertained to the means through which operators of these businesses market consumer services. In lieu of advertising Keno, Poker or any other kind of video playing card game, operators of Internet sweepstakes cafés advertise the sale of phone and/or Internet time and provide consumers with the facilities and equipment to check their email and print and/or fax information. Patrons put money on a phone or Internet card resembling a credit card to access these services.

Arguably, some patrons do utilize these services, yet undercover law enforcement agents and patrons have both reported that most visiting the café sit at computer terminals playing games resembling slot machines to win cash and prizes (Robertson, 2010). Trouble shooter reports by local news stations have encountered managers of these establishments directly assisting new patrons in accessing the games (Wilson, 2009). However in addition to state courts overruling the legislature, state attorneys have also advised the state as to the limitations to the 2008 amendment to the 2006 law banning video poker machines across the state, warning officials that to prohibit this form of gambling (sweepstakes) is to also prohibit less controversial forms such as the under the cap games by Coca Cola® and Pepsi® and the popular McDonald’s Monopoly® sweepstakes games (Stasio and Margolis, 2010).

According to media and news reports, local municipalities and county governments in North Carolina have begun their own regulation and temporary banning (moratorium) of these businesses in response to public and government opposition to the operation of these facilities. Since recent court rulings protect these establishments, the primary concerns of local government and municipalities are regulation and re-zoning.

Officials in Elizabeth City have implemented age and hours of operation restrictions in addition to specifications on the number of player terminals in each establishment. In addition to the abovementioned regulations, officials in Wilson have implemented zoning restrictions, limiting the areas in which sweepstakes cafés may operate to commercial and business districts away from homes, schools and churches (Browder, 2010b). Apex, Pembroke, Fayetteville, Wilmington, Holly Springs, Rocky Mount, Lumberton and Oxford have either completed or are planning to implement re-zoning in addition to taxing these businesses.



Most recently, the city of Lumberton in Robeson County, implemented a moratorium specifying that until May 2011, existing Internet sweepstakes cafés may not expand and new businesses may not open. Beginning July 1, 2010 operating businesses must pay an annual \$5,000 privilege license tax in addition to a \$2,500 fee per computer or operating machine. Pembroke and Fairmont, two other Robeson county municipalities charge \$3,000 per computer connected to the Internet and \$1,500 for those not connected to the Internet (Hottman, 2010).

These municipalities have been able to generate additional revenue in the current economic climate amidst severe budget crunches because current state law does not limit the revenue municipalities can raise through licensure fees. However, such actions taken by local municipalities in North Carolina have prompted some public officials from the General Assembly to support state government regulation and taxation of Internet sweepstakes cafés. The director of the North Carolina Education Lottery was petitioned by supporters of government regulation to provide an estimate of revenue from video lottery terminals in sweepstakes cafes and reported that revenue generated from the state taxing these establishments could add an estimated \$350 million in the first year and \$576 million by the fourth year which could effectively solve many of the state’s budget problems (Browder, 2010d).

LOCAL LAW ENFORCEMENT REACTION



Despite arguments made by academics that the prohibition of Internet gambling operations will only exacerbate the negative social and economic impacts of online gambling versus eradicating them (Franklin, 2001), it is widely believed that North Carolina sheriffs generally oppose the operation of Internet sweepstakes cafés. Many argue that these operations contribute to increasing financial hardships for low-income customers and families as reflected in several national gambling studies (Davis and Moore, 2007). These businesses also serve as hotspots for criminal activity — one consequence of Internet sweepstakes cafés that is largely absent from the tightly regulated and taxed state education lottery. Despite little published research detailing criminal activity associated with Internet sweepstakes cafés in the United States, a fairly recent study presented an analysis of online gaming crime drawn from 613 criminal cases in Taiwan. This analysis found that 54.8 percent of online gaming crimes occurred in Internet cafés compared to 30.8 percent in an offender’s home and of the types of crimes characterized, an overwhelming 73.7 percent of cases (452 out of 613) involved charges of theft compared to 20.2 percent of cases involving fraud (Chen et. al, 2005).

As portrayed by local news and media reports, general consensus reflects that most law enforcement officials can do little about the problems with Internet sweepstakes cafés. Interviews with North Carolina district and assistant district attorneys, suggest that part of the problem is ambiguity between the legal interpretations of judicial officials and the General Assembly's application of gambling laws in North Carolina (Browder, 2010a). A Mecklenburg County assistant district attorney told a Charlotte news station in an interview that there will be fewer raids and less enforcement by law enforcement in Mecklenburg County until the General Assembly or State Supreme Court clarifies the law, citing a budget crisis where it is fiscally unfeasible to prosecute offenses under a law that may be deemed invalid in coming months (Watson, 2010).



RESEARCH OBJECTIVE

In light of limited research on the subject, this report presents findings from a survey of law enforcement executives surrounding their perceptions, attitudes and beliefs on the emerging growth of Internet cafés and sweepstakes operations. Specifically, this study analyzes data on the prevalence of these establishments and on the amount of reported and perceived criminal activity both inside and outside these establishments. The legality of these operations and opinions regarding barriers to effective regulation and proposed legislation were also solicited in an effort to portray how the state's law enforcement officials perceive and respond to Internet sweepstakes cafés.

RESEARCH DESIGN

SURVEY INSTRUMENT

A 25-item questionnaire was developed with questions derived from existing literature and prior research studies, as well as the authors' discussions with criminal justice practitioners and other researchers who have investigated the issue of Internet gambling and gaming. Survey questions sought to elicit respondent viewpoints, attitudes and beliefs surrounding the basic premise of Internet gambling and the underlying legality or illegality of Internet cafes. A five-point Likert scale was employed to measure the participants' perceptions on the extent to which these cafes should be regulated and the most effective methods for enforcing regulation. Respondents were also asked to describe and provide data on the number of cafes within their respective jurisdictions, the nature and types of criminal activities and nuisance related behaviors occurring at and around the cafes as well as the extent to which their agencies had made efforts to either investigate and or close down these establishments and why.



Questions were included for those respondents whose agencies had conducted investigations to gather data on barriers or obstacles which either hinder or prevent successful investigations and how these could be alleviated or at least minimized in the future. Survey participants were provided with the opportunity through a series of open-ended questions to espouse their opinions on how to most effectively manage these operations from both a legislative and law enforcement perspective and to offer any other ideas and comments about Internet cafés and how these businesses affect their communities.

SURVEY SAMPLE

All local law enforcement agencies in the state of North Carolina were included in the sampling universe with the exception of universities, company and special police departments and two sheriffs' offices. These were excluded because their respective patrol jurisdictions did not include any Internet cafés or gambling locations or in the case of the sheriffs' offices they did not provide routine patrol coverage and response services as these were provided by city or county police agencies.



State agencies, such as the Highway Patrol, were not included as the regulation or investigation of Internet cafés does not fall within their normal mission or statutory enforcement mandate. The state's Alcohol Law Enforcement Division, which does investigate illegal gambling and prohibited video poker machines, was not included as the focus of this study was on the local community and not an entire region or the state as a whole.

Two separate sampling frames were compiled with the sheriffs' list containing 98 agencies and the local police list containing 347 distinct agencies which were eligible for inclusion in the sample and for possible survey distribution and completion. Each list was divided into quartiles based upon the median population or number of residents within the agency's patrol jurisdiction for the sheriffs' offices and local police departments respectively. The median population coverage for the state's sheriffs' offices was 32,411 residents. This includes only those individuals residing in the county, i.e. outside of the city limits. Thus the smallest quartile ranged from 4,290 citizens to 17,907. The second quartile included those offices having jurisdiction over a population of 18,647 to the sample median of 32,411. The third group ranged from the median to 55,653 citizens with the fourth quartile including those sheriffs' offices which provide law enforcement patrol services to larger counties with populations between 59,251 and the group high population of 181, 573.

The smallest quartile for the local police list included agencies providing patrol coverage for cities ranging from the group low of 88 to 1,168 citizens. The second quartile included agencies providing coverage for cities and towns with populations between 1,169 to the median of 2,975. The third quartile included police departments from populations of 2,801 to 8,261. The fourth quartile included agencies which provide patrol coverage for cities with populations between 8,262 and the group high of 728,755.

Utilizing a standard sample size calculator or estimator with a 5 percent margin of error and confidence intervals set at 95 percent, it was determined that 78 sheriffs' offices, or roughly 20 from each population coverage quartile or strata, and 183 local police departments or approximately 46 from each quartile, would be included in the study sample to receive a copy of the questionnaire in the mail. Disproportionate stratified sampling was preferred as the researchers' preliminary investigation and discussions suggested that Internet cafés would be primarily located in mid to large size geographic areas. Consequently, disproportionate stratified sampling would insure the inclusion of a greater number of agencies providing coverage for these cities and towns versus proportionate sampling based on population which would have, given the state's rural nature, resulted in the inclusion of far more smaller jurisdictions which probably do not have as many Internet cafés. Agencies were randomly selected from each quartile until the appropriate and required number was obtained for each of the two law enforcement group samples.

RESULTS & ANALYSIS

A total of 113 surveys were completed and returned by the respondents producing a study response rate of 43 percent. Of this number, 31 or 27 percent were submitted by respondents from the state sheriffs' offices with the remaining 82 or 73 percent, being returned by participants from the state's police departments. These responding agencies were located in 63 of the state's 100 counties. The majority of these agencies were located in the Coastal region of the state with 48 percent of surveys returned by respondents from this area. Respondents from the Piedmont region submitted 36 percent of surveys with the remaining 16 percent coming from agencies in the Mountain region.



Survey responses indicate that there are a total of 359 Internet sweepstakes cafés in operation within the 63 counties for which data were provided. Of the total number of responding agencies, 66 or 58 percent reported having sweepstakes cafés within their jurisdiction. Of these 66 agencies, those reporting one café comprised the largest percentage of responding agencies (33%) followed by agencies reporting two cafés (22%) and agencies reporting three cafés (18%). The remaining agencies (27%) reported having more than four cafes in their respective jurisdictions. The average number of cafes, per jurisdiction, was slightly more than five ($X=5.7$).

INVESTIGATIONS

Respondents from the surveyed agencies were asked to provide information relating to the types of investigations and any difficulties surrounding these investigations relative to Internet sweepstakes cafés (see Table 1). Of the 66 responding law enforcement agencies with cafes in their jurisdictions, 25 or 37.8 percent reported prior and or current investigations of these businesses with activities ranging from illegal gambling and alcohol to robbery and citizen complaints. Per agency, of the 47 reporting police agencies, 20 or 42.6 percent reported investigations of these businesses. Of these numbers 48 percent of police agencies expressed difficulty with their investigations and attributed these difficulties to several causes including, but not limited to owner reluctance, the limitation or vagueness of current state statutes, previous court decisions and injunctions and the absence of state guidance or cooperation. Based on those investigations, two reports of sweepstakes cafés being shutdown were received and were attributed to illegal gambling. Of the 19 sheriffs' offices, five or 26.3 percent reported investigations relating to illegal gambling and fraud. Five agencies also reported difficulty performing investigations; voicing similar concerns of police agencies.

TABLE 1: LAW ENFORCEMENT INVESTIGATIONS BY AGENCY TYPE

| Offense Investigated | Police Number | Sheriff Number | Total Number | Percent |
|-----------------------------|----------------------|-----------------------|---------------------|----------------|
| Illegal Gambling | 9 | 4 | 13 | 27.1 |
| Drug Related | 5 | 0 | 5 | 10.4 |
| Illegal Alcohol | 4 | 1 | 5 | 10.4 |
| Fraud | 4 | 1 | 5 | 10.4 |
| Robbery/Larceny | 3 | 1 | 4 | 8.3 |
| Money Laundering | 2 | 1 | 3 | 6.3 |
| Other | 11 | 2 | 13 | 27.1 |
| Total Offenses | 38 | 10 | 48 | 100 |

As the Table 1 depicts, the most commonly occurring investigation was for the suspicion of illegal gambling which accounted for 13, or 27.1 percent, of the total investigations. Five drug related investigations (10.4%) were reported as well as five alcohol related cases (10.4%). Ten percent of the total investigations were also for fraud related offenses. Slightly more than 8 percent of the investigations were for robbery and larceny/theft. Other investigations involved zoning violations, loitering and drunk and disorderly patrons.

REPORTED CRIME STATISTICS

Responding to questions relating to the crime inside and on the premises of these businesses, law enforcement agencies were asked to describe the level of crime as having “increased” “stayed the same” or “decreased”. Crime levels inside these businesses was reported to have “increased” by 12 or 18.8 percent of the total number of reporting agencies versus 52 or 81.2 percent who responded that crime levels are “staying the same.” Crime on the premises was reported to have “increased” by 17 or 26.6 percent of the responding agencies versus 47 or 73.4 percent who maintain that crime levels are constant. No agencies reported crime as “decreasing” on the premises or inside of these businesses.

Four or 8.9 percent of the police department respondents cited an “increase” in crime versus 41 or 91.1 percent who responded that crime levels are “staying the same” inside of these businesses. On the premises surrounding these businesses, 10 police agencies (22.2%) reported an increase in crime versus 35 or 77.8 percent who maintain that crime has “stayed the same.”

Eight or 42.1 percent of the participants from the responding sheriffs’ offices reported crime inside these businesses to have increased versus 11 or 57.9 percent who maintain that crime levels have stayed the same. Seven or 36.8 percent of these officers reported crime to have increased on the outside premises versus 12 (63.2%) who maintain that crime has “stayed the same.”

Nearly three-fourths of those agencies, with cafés in their areas reported having received complaints or calls for service. The most frequent call related to robbery of these cafés and/or their patrons, with 16 agencies (34.8%) reporting this offense at or inside of a café. The second most common offense for which complaints or calls for service were initiated was larceny-theft (17.4%) followed by drug and weapon related offenses (10.9%). Other offenses included assault/murder (6.5%), gambling addiction related problems (21.7%) and fraud (8.5%). Thirty-seven percent of the respondents noted an increase in nuisance related complaints either within or on the premises of these establishments. (Refer to Table 2 below.)

TABLE 2: REPORTED COMPLAINTS AND CALLS FOR SERVICE

| Offense | Number | Percent Reporting |
|------------------------|---------------|--------------------------|
| Robbery | 16 | 34.8 |
| Gambling Addiction | 10 | 21.7 |
| Larceny-theft | 8 | 17.4 |
| Drug/Weapon Violations | 5 | 10.9 |
| Underage Gambling | 4 | 8.7 |
| Fraud | 4 | 8.7 |
| Assault/Murder | 3 | 6.5 |
| Money Laundering | 1 | 2.2 |

Nearly three-fourths (73.8%) of the survey participants were uncertain about the level of criminal involvement on the part of Internet café owners and employees. Seven respondents noted that the owners and employees were either highly involved (1.5%) or involved (9.2%) in criminal activity. Ten, or 15.4 percent, noted that café owners and operators were not involved in any criminal activities or illegal behavior.



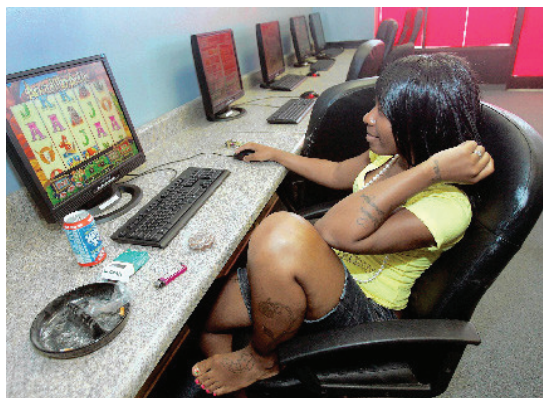
OPINIONS

Participants were asked to rank from 1 (least effective) to 5 (most effective) the effectiveness of 10 possible solutions to managing Internet sweepstakes cafés (see Table 3). Prohibiting cafés was ranked as the most effective solution as indicated by a mean score of 4.2, followed by taxing these businesses (X=3.4), employing local license and fee structures (X=3.2) and other types of regulation. Surveillance, re-zoning and implementing age restrictions and hours of operation controls were ranked as the least effective means of managing Internet cafes.

TABLE 3: MEAN EFFECTIVENESS RATINGS FOR INTERNET CAFÉ REGULATION AND MANAGEMENT STRATEGIES

| Management Strategy | Number | Mean |
|-----------------------|--------|------|
| Prohibit/Ban | 56 | 4.2 |
| Taxation | 54 | 3.4 |
| License/Fees | 54 | 3.2 |
| Regulate | 56 | 3.2 |
| Age Restrictions | 54 | 2.9 |
| Moratorium | 53 | 2.9 |
| Hours of Operation | 54 | 2.8 |
| Patron ID | 55 | 2.8 |
| Property Surveillance | 52 | 2.7 |
| Re-Zone | 54 | 2.7 |

Likert Scale Rating: 1 = Least Effective to 5 = Most Effective.



Based on responses regarding the legality of Internet sweepstakes cafés, over half (66.7%) of the responding law enforcement agencies disagree that these businesses are legal and feel that the operation of these establishments does violate state law. Thirty-two (48.5%) respondents strongly disagreed that Internet sweepstakes cafés are legal under the current statutes compared to 12 (18.2%) who somewhat disagreed. Only 14 respondents felt that these cafes were legitimate (21.2%), with eight remaining neutral about the legality of these gaming businesses.



When asked whether taxation of Internet cafes was an appropriate way to reduce the state's budget deficit, the respondents were clearly mixed on this issue with 23 survey participants (35.4%) disagreeing that this would mitigate the current budget crisis. Slightly more than one quarter remained neutral on this issue with the remaining 24 (36.9%) either strongly or somewhat agreeing that taxation was a viable option.

Responses to recent court rulings and injunctions in several counties were solicited from law enforcement agencies; 38 (58.5%) respondents "strongly disagree" with recent court rulings favoring Internet sweepstakes cafés as opposed to three and seven respondents that either agree or strongly agree with recent court rulings (15.4%). Less than 15 percent of the respondents were neutral on this issue.

Court interference in enforcement elicited strong responses from law enforcement. Most agree that court rulings are interfering with enforcement in regard to Internet sweepstakes cafes. Thirty-four or 52 percent of the responding officers strongly agreed that the court is interfering with enforcement as opposed to four or 6.2 percent who strongly disagree. Less than 20 percent were neutral when asked about court interference.

SUMMARY & DISCUSSION

This study documents the existence of criminal and illegal behaviors at or near Internet sweepstakes cafés. While further research is needed to precisely track the prevalence and incidence of these crimes the exploratory data presented in this paper reveal that both police and sheriffs' offices have responded to calls for service and citizen complaints at these establishments for violent, non-violent and nuisance related offenses. While the majority of the respondents did not describe serious increases in the number and types of criminal activity at or near these cafes, the data do indicate that many law enforcement agencies have scrutinized these cafes with a watchful eye; slightly more than one-third of the survey participants also reported on-going or completed criminal investigations of these cafés.

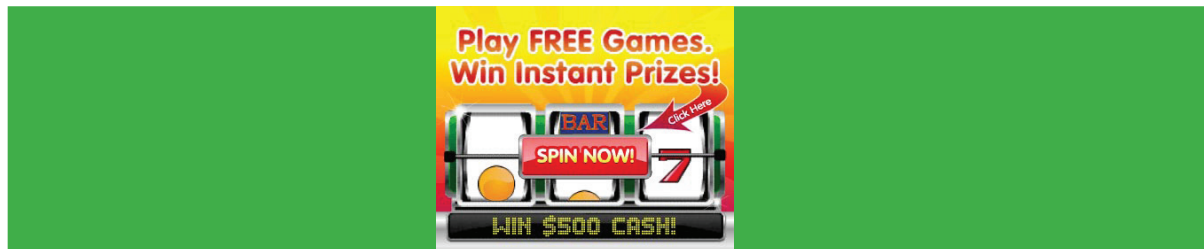
Findings in this study are consistent with previous claims by academics and law enforcement executives associating crime with online gambling and Internet sweepstakes cafés. Findings in this study were consistent with previous research by Conon (2009), Manter (2003) and Franklin (2001) who all associate online gambling operations with violent and non-violent crime such as robbery or theft. This research is also consistent with the work of Chen et al. (2005) who found that theft and robbery were far more frequent than charges related to fraud when discussing Internet café related criminal activity.

Law enforcement perceptions and opinions regarding the legality of these cafes is consistent with the prior literature, media accounts and anecdotal evidence as the commonly held assumption that law enforcement opposes Internet gaming was found to exist among 67 percent of the respondents. Further support can be inferred, based on the fact that outright prohibition was rated as the most effective means for managing these establishments. The majority of the respondents also expressed viewpoints that recent court



rulings and injunctions, protecting the legitimacy of Internet gambling parlors or businesses hindered their investigative and order maintenance abilities.

Conon (2009) and Manter (2003) project that as the number of individual bettors who participate in unregulated or prohibited Internet gambling increases, a concurrent reduction will occur in tax revenues from legitimate gambling operations. This may also contribute to an increase in problem gaming in the absence of safeguards to protect against gaming addiction and underage gaming. This study did not find any evidence of increasing gambling addiction or underage gambling as reported by law enforcement officials. While beyond the scope of this research; additional research should be conducted to ascertain the effects and impact of Internet sweepstakes cafés on their patrons. Research should also be directed at determining if individuals who frequent these establishments also participate in the state's education lottery and/or engage in illegal sports betting or card playing and, if so, how much time and money are expended on each of these activities.



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