

Chairman Robert Martin
Morongo Band of Mission Indians
Senate Government Organization Committee
February 9, 2010

Chairman Wright and Committee Members:

Thank you for hosting today's informational hearing on Internet poker. The Morongo Band of Mission Indians has been examining Internet poker and its role in the California gaming market for about a year. We appreciate your willingness to explore how the state can address California's booming and unregulated online-poker market. And we want to personally thank you for taking time to study an issue of importance to tribes and to all Californians.

Poker has been popular since the Gold Rush, before California was a state. We recognize Sacramento's jurisdiction over poker, from the days of covered wagons to the Internet Highway. There are three points I want to make today about the changing poker market:

1. **Player Protections:** Regulations are needed. We must adopt consumer protections to safeguard players from fraud, identify theft and cheating by unregulated poker sites.
2. **Tax Revenues:** Offshore companies are pocketing billions wagered by Californians on Internet poker. That money belongs in California coffers, working for Californians. The state deserves its fair share of that business.
3. **Experienced Operators:** Trusted Californians – the tribes and licensed card clubs – are the right operators to bring player protections and maximum revenue to the state.

Player Protections

Player protections from fraud, identity theft and cheating must be adopted. Consumer protections are integral to the game of poker. If a customer comes to our casino and does not feel like he is going to get paid, then he's not going to return.

I've had visitors tell me they won't play poker online because they've been cheated or are fearful about security breaches. They don't know who's at the other end of an off-shore site. Visa and Mastercard are taking the problem seriously. The two companies are moving to block transactions with illegal Internet gaming operators.

Certainly, technology exists at the state to ensure Internet poker regulations are enforced. The state has been regulating Internet betting on horse races for five years. The popularity of Internet poker exceeds the popularity of race tracks. We believe Internet poker will see significant growth when players feel protected by regulations that hold gaming operators accountable to their visitors.

California's Fair Share

A million Californians a week are playing online poker. They are wagering more than \$13 billion a year on the game. They play on sites operated by offshore companies that don't pay taxes and don't generate local jobs. Conservative projections from the Innovation Group have identified \$350 million in online poker profits that should be coming to California now. But illegal operators in places like Gibraltar and the Isle of Mann are sucking that money out of our state's economy. We must tax online poker as a legitimate source of revenue for the state.

Several states and the federal government are poised to regulate and reap the financial benefits of Internet gaming. The federal government believes it could get as much as \$40 billion for the treasury from Internet poker and online gaming. The state must move to get its fair share of this new and growing revenue stream.

Experienced Operators

Online intrastate poker must be operated by Californians in California. Tribes have been running successful brick-and-mortar poker games for 25 years. Card clubs have been operating poker in California for many decades. We have established expertise in the business.

In just 25 years, Morongo's gaming business has flourished from a tiny bingo hall on the side of Interstate 10 to a mega-resort and casino.

We know gaming. We are accountable to our customers. We are invested in our communities. We create jobs. We pay taxes. At the Morongo Casino, we have developed in-house programs and educational tracks so employees who are running drinks can advance and learn to run a casino. As a result, we have developed outstanding and ethical business leaders who've worked their way into the ranks of upper management in the state's gaming industry.

We have broad support in our communities. Tribes and the card clubs are committed to our local, regional and state economies. We are Californians. We want what is best for California.

Exclusivity

Internet poker is a class II game. It does not imperil tribal compacts with the State of California. The California Legislative Counsel came to the same conclusion in 2008. I would like to introduce our attorney, George Forman, to speak to the committee on this topic.

Conclusion

State lawmakers must adopt regulations and consumer protections to safeguard Californians from fraud and abuse by offshore Internet poker operators.

Taxing Internet poker will generate a revenue stream for state coffers while offering California consumers the protections they deserve. Tribes and licensed card clubs are perfectly poised to operate legitimate Internet poker play in California.

A few years ago, we had a million-dollar promotion at the Morongo Casino. We thought we had a winner. Two sevens dropped. Another seven hung briefly before it fell. The place went wild. Everyone on the floor thought we had a winner. We didn't. We had a malfunction. There was discussion about what should be done. The issue came to the tribal council.

We paid out.

We want our customers to know we are on their side. The Morongo tribe will offer the same consumer protections to Internet poker players as we do to the customers who take a seat at our tables.

Allow tribes and the card clubs the opportunity to offer consumer protections on legitimate Internet poker sites. Californians will thank you for protecting them and for strengthening the state's economy by regulating and taxing Internet poker play.

Let's do what's best for consumers.

Let's do what's best for California.

Let's regulate and tax Internet poker and get the state its fair share.

Thank you, Chairman Wright and members of the committee.

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