

**THE CALIFORNIA SENATE GO COMMITTEE INFORMATIONAL HEARING
EXAMINING THE PUBLIC POLICY AND FISCAL IMPLICATIONS OF
INTRASTATE INTERNET POKER**

STATEMENT BY LEO CHU, OWNER, HOLLYWOOD PARK CASINO

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Chairman Wright and Members of the Senate GO Committee:

My name is Leo Chu. I am the owner of the Hollywood Park Casino in Los Angeles and am a partner in the Crystal Casino in Compton and the Lucky Derby card club in Citrus Heights. I am a former California Gambling Control Commission advisory board member and I have also served on the board of the California Problem Gambling Council for 12 years. Finally I am a board member of the California Gaming Association, which represents the 90 licensed card rooms of California.

Thank you for the opportunity to let me speak about Internet poker in California. There's no question Internet poker is a complex topic. But the questions before the GO Committee today are fundamental and direct:

- Can we regulate it?
- Can we generate revenue from it?
- How should it be operated?
- Who is best qualified to operate it?
- Why do we need to act now?

As California's only licensed operators of poker games, we bring unique qualifications and perspective to the topic of Internet poker. The California Public Policy Institute in a 2008 study estimated that 70 percent of California were Internet users. And, according to a study last year by the Innovation Group, Californians are not only on the Internet, they play online poker – a lot of online poker - an estimated \$13.4 billion in wagering annually. California is, in fact, the largest Internet gaming market in the world.

California is the poker capital of the United States on line or at the table - hosting more poker rooms with more poker tables than even Las Vegas. California is also home to the largest bricks and mortar poker room in the nation - the Commerce Casino.

Online poker presently generates a projected \$256 million annually for illegal offshore Internet poker operators. Which means California's online poker players are unprotected with no legal safeguards. The daily opportunities for fraud, theft, cons and consumer rip-offs are multiplied by the number of computer screens in people's homes, cell phones, laptops and offices.

So when the state Senate GO Committee asks can we regulate it? - The answer is yes. Can we generate revenue from it? Yes. Who should operate it? – California's card room industry and tribal gaming leaders have the expertise, the experience and the management track record to deliver what the state needs – an intrastate Internet system with solid game integrity, regulatory control that generates a significant source of badly-needed revenue to the state.

Without a doubt, we do have the know-how; the technology and we know how to implement the law.

As owners and managers of the state's tax-paying, law-abiding, state-regulated card rooms, we employ more than 20,000 Californians; generate millions in salaries and benefits, and millions more in tax revenue for our local communities and the state.

So where do things stand?

- Internet poker is illegal.
- It is growing unchecked.
- It generates millions.
- There is no consumer protection.
- The state gets no revenue. Since the operators are all out of California, money is siphoned to the offshore bank accounts and further drains our state's economy.

California lawmakers should be the first to bring an illegal enterprise under legal supervision, provide needed consumer protections and capture revenue that can benefit states first.

So, why should California act now? Major Las Vegas and foreign operators are pouring millions into Washington DC lobbying for federal legislation. Why? Because they want Internet gaming opened for the entire U.S. Why? Because they want the lucrative California market.

There have been more than 45 federal Internet gambling bills proposed so far and 60 state bills in the United States. There will be Internet gaming legislation.

If California does not act to protect its own interests with an online poker system designed to keep market predators out and California dollars in, it will be the loser. To steal a slogan – everything that plays in California, should stay in California. And the newly created jobs should stay in California too.

There are two issues that we had been dealing with since the inception of card clubs and tribal casinos: underage and problem gambling. Fortunately we live in the birthplace of high tech. There are new cutting edge technologies for detecting and protecting players. You have heard about some of these capabilities today.

The bottom line is that it is totally within the state's capability to put into place the protections necessary and have gaming activity and reporting monitored in real time. Players should have the benefit of California consumer protection laws that assure that winners will be paid promptly and accurately. No one has a better track record than California's card clubs for this.

The same is not true for online poker now. Millions of players know illegal play is dangerous. Millions more in California know they are committing a felony when they play online for real money. But knowing the risks hasn't been much of a deterrent. Not when online gaming is growing at nearly five times the rate of bricks and mortar gaming.

There is no question that California needs to effectively regulate and tax Internet gaming. If the state does not move quickly, federal politicians are poised to enact legislation to define online poker as regulated and taxed by the federal government. We will never see that revenue if it goes to Washington. We need to keep California's money in California.

You have heard already from experts today that the Internet is not going away. If anything it will continue meet the growing demand for online entertainment. But time is not on our side.

The question now is whether California will have a place at the table. Nevada casinos, offshore companies and Washington insiders don't want us there. They are not thinking about our future.

We must recognize emerging opportunities in this new generation of technology and customers. California can take the lead and establish a model for other states. Or wake up to find yet another drain on its economy.

Thank you for your consideration of this critical issue. I am happy to answer your questions or provide any materials to the committee.

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