



Internet Poker Heats Up

"It is our opinion that if the Legislature enacted a statute validly authorizing and regulating non-banked, non-percentage, intrastate Internet poker, the legislature could authorize a licensed horse racing association to obtain a license to offer Internet poker in California."

This is the legal opinion of California's Legislative Council Bureau, the legislature's lawyers.

The fight to legalize Internet poker in California is more intense than ever, with the terrain shifting like a fault line as coalitions come together and then fall apart. In June 2014, 13 of the state's most powerful tribes signed a letter supporting legislation that excluded horse racing from the ability to apply for a license to operate this new form of gaming.

This year began with a new coalition that includes Amaya Gaming (formally Poker Stars), Morongo, San Manuel, and three of the state's biggest card rooms. Four bills have been introduced, one including horse racing (introduced by Rep. Reggie Jones-Sawyer), one excluding racing (introduced by Assemblyman Mike Gatto) that allows for only the wealthiest of tribes and card rooms to operate a site, and two that only included concepts for Internet poker introduced by the two Chairs of the Governmental Organization Committees, Assemblyman Adam Gray and Senator Isadore Hall.

The Jones-Sawyer bill has met with opposition from the seven-member Tribal Coalition, led by the Pechanga Tribe. Most recently, the same group, guided by Sycuan, has attempted to form a new coalition to bring the two powerful interests together to oppose licensing a racing association and offer racing a form of mitigation. That coali-

tion has not come together, and, in fact, three gaming tribes—Rincon, United Auburn, and Pala—have signed a letter stating they would not oppose racing's inclusion in a bill.

The California Thoroughbred Breeders Association, along with the Thoroughbred Owners of California, has devoted a great deal of time and effort to developing greater relationships and understanding of our industry. These relationships with the chairs and committee members are more important than ever.

Racing touches many of the Legislature's 120 legislators in their districts through breeding farms, owners, agricultural support, racetracks, and racing fairs. It will be difficult for those members to ignore horse racing requests for parity under any new law to the benefit of wealthy gaming interests. The Legislature's own lawyers have clearly stated that nothing in the Constitution "prohibits the Legislature from including horse racing associations from operating a gaming establishment," including a license to operate Internet poker.

The advantage to racing being included in Internet poker legislation cannot be overstated. It would significantly increase purses and incentive awards, providing a healthier climate for those who invest in breeding and racing.

It's important to remember that the Legislature granted the exclusive right to

wager on the Internet to horse racing in 2001 (AB 471 Hertzberg) following the passage of Proposition 1A (Gambling On Tribal Lands), which brought about a 40% decline in racing revenues. California is also the only major racing state with no alternative gaming at the track, which benefits purses in other states. Leaving racing behind in the creation of this new form of gaming would devastate the industry.

Several tribes and card rooms have proposed a mitigation fund to help offset the impacts were racing to be left out of the new legislation. One has to look only to the shortfalls in Indian Gaming Funds, which supports non-gaming tribes or tribes with less than 350 slot machines. A 2014 Legislative Analyst's Office report estimates an approximate \$30 million shortfall annually. Similar funds granted for racing in other states have been raided or eliminated and the funds redirected away from racing.

Finally, Internet poker may benefit existing land-based gaming operations, including racetracks, over the long run as operators are able to tap into a younger consumer demographic, improve player loyalty, and enhance their marketing. It's fair to say that racing's fight to be included in legislation authorizing Internet poker or to prevent passage of any bill excluding racing is critical to racing's future. **CTB**