

Date of Hearing: May 3, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

AB 1168 (Gipson) – As Amended March 23, 2017

SUBJECT: Gambling: local moratorium

SUMMARY: Extends the gambling moratorium related to the expansion of cardrooms and the issuance of new cardroom licenses from January 1, 2020 to January 1, 2030.

EXISTING LAW:

- 1) The Gambling Control Act (Act), generally regulates the licensing and operation of gambling establishments. The Act is administered by the California Gambling Control Commission (CGCC) and is enforced by the Bureau of Gambling Control (Bureau), within the Department of Justice (DOJ)
- 2) Expresses the intent of the Legislature that nothing in the Act shall be construed to preclude any city, county, or city and county from prohibiting any gambling activity, from imposing more stringent local controls or conditions upon gambling than are imposed by the Act or by CGCC.
- 3) Existing law, Article 13 (commencing with Section 19960 of the Business and Professions Code), addresses the authority of local governments to approve the existence and expansion of gambling establishments. That article prohibits a local jurisdiction from issuing a gambling license with respect to any gambling establishment unless a specified measure was adopted by the voters of that jurisdiction, or the gambling establishment is located in a jurisdiction that, prior to January 1, 1984, expressly authorized the operation of one or more cardrooms. In addition, Sections 19961 and 19962 limit the authority of a local jurisdiction to expand gambling, including the authority to increase the number of tables that a gambling establishment may operate.
- 4) Imposes a moratorium on the authority of a local jurisdiction to amend its gambling ordinance to provide for an expansion of gambling. This moratorium remains in effect until January 1, 2020.
- 5) Defines an "expansion of gambling," in part, as a change that results in an increase of 25% or more in the number of tables a gambling establishment may operate based on the number of tables authorized on January 1, 1996.
- 6) Prohibits CGCC, until January 1, 2020, from issuing a gambling license for a gambling establishment that was not licensed to operate on December 31, 1999, unless an application to operate that establishment was on file with DOJ prior to September 1, 2000.

FISCAL EFFECT: Keyed non-fiscal by Legislative Counsel

COMMENTS:

Purpose of the bill: According to the author, “California has had a longstanding policy against expansion of gambling establishments in the state. Since 1995, state law has discouraged cities and counties from expanding gambling, particularly in urban and suburban communities. AB 1168 is a “clean” moratorium extension, meaning there are no extra tables or expansions given to any cardroom. Other bills in this legislative session (SB 654, Dodd) deal with extra tables, extended hours and other requests by the cardroom community. This bill explicitly deals with the moratorium extension.”

Proponents of AB 1168 have stated the need for the bill is to provide financial stability to local governments that rely upon revenue from licensed gambling, and it will continue the state’s commitment to limit the number of gambling facilities operated in the state. Card clubs in their cities provide revenues that pay for important programs and services, including public safety, parks, water delivery systems, transportation, and the like. Supporters claim that, if the licensing moratorium were to expire, it would be quickly followed by expanded gaming activities in adjacent areas and would negatively impact the fiscal health of many communities and many others across the state.

Background: Prior to 1998, California's gambling industry was essentially unregulated. In 1984, the Legislature enacted the "Gaming Registration Act," which required the Attorney General's office to provide uniform, minimum regulation of California card rooms. However, the scope of the Attorney General's authority was extremely limited and funding was inadequate. Recognizing the need for broader oversight of California's gambling industry, the Legislature enacted the "Gambling Control Act" in 1997.

The Act provides CGCC with jurisdiction over the operation of gambling establishments in California. The Act requires every owner, lessee, or employee of a gambling establishment to obtain and maintain a valid state gambling license and assigns CGCC the responsibility of assuring that gambling licenses are not issued to, or held by, unqualified or disqualified persons, or by persons whose operations are conducted in a manner that is harmful to the public health, safety, or welfare. The Act directs CGCC to issue licenses only to those persons of good character, honesty and integrity, whose prior activities, criminal record, if any; reputation, habits and associations do not pose a threat to the public interest of this state. The Bureau conducts background and field investigations and enforces the provisions of the Act in this regard.

Moratorium: There are currently two statutory moratoriums that restrict the growth of card clubs in California. One moratorium prohibits the state from issuing licenses for new gambling establishments. The other limits licensed gaming establishments from expanding the number of tables and hours they operate. Most local jurisdictions have modified their gambling ordinances to realize the maximum amount of growth authorized by law. Both of these moratoriums are set expire on January 1, 2020.

The moratorium restricting the expansion of existing card clubs or licensing of new ones began in 1995. A five-year moratorium was put in place by the enactment of SB 100 (Maddy), Chapter 387, Statutes of 1995. SB 8 (Lockyer) 1997, enacted the Gambling Control Act and continued the moratorium on authorization of new or expansion of gambling establishments by two years, from January 1, 1999, until January 1, 2001. Legislation continuing the moratorium has been continually enacted and most recently, AB 241 (Hall), Chapter 316, Statutes of 2011, extended the card club gambling moratorium from January 1, 2015 to January 1, 2020.

It is important to note, since the enactment of the moratorium in 1995, the Legislature has passed several laws allowing cardrooms to expand the number of tables in a licensed establishment. See Prior/Related Legislation for full list of moratorium and expansion bills.

Support: A coalition of cardrooms writes in support: “On behalf of Hawaiian Gardens Casino, Commerce Casino, California Grand Casino, Artichoke Joe’s Casino, Hollywood Park Casino, Oaks Card Club, M8trix Casino, Larry Flynt’s Hustler Casino and Larry Flynt’s Lucky Lady Casino, we write as sponsors in support of AB 1168 (Gipson) that continues the existing moratorium on card club expansion to the year 2030, keeping in line with longstanding state policy of continually reexamining the number of card clubs and tables in California.

Extending the current prohibition will not impact existing gambling facilities in California. Rather, this measure will provide needed financial stability to local governments that rely upon revenue from licensed gambling, and it will continue the state's commitment to limit the number of gambling facilities operated in the state.

In the past, the moratorium has been continued in 5-year increments, but given the long and successful history of the moratorium statute extensions, a 10-year extension is eminently reasonable. And as previously mentioned, selective exemptions that allow reasonable targeted expansions as the legislature deems appropriate have worked before and will work again. For all of these reasons, our nine card clubs are pleased to be sponsors and strongly support AB 1168.”

Opposition: The League of California Cities writes in opposition: “This measure represents an incursion against local land use authority and police power that does not appear to be justified. We are aware of no compelling reason why the current moratorium on local expansion of legal gaming operations, which under current law is due to expire on January 1, 2020, should be extended. Revenue from these operations could bring material benefit to the host communities, but will never be realized should this measure advance.

This measure threatens real fiscal harm to cities that are host to card rooms and other legal gaming operations, by denying local governments control over them for another decade. For these reasons, the League of California Cities strongly opposes this legislation as yet another attack on local revenue streams.”

Bay 101 Casino writes in opposition: “The rigid nature of the moratorium stifles innovation and competition. By extending the inflexible regulation for 10 more years, AB 1168 would kill the ability of Bay 101 to add jobs. It will also decrease the revenues to the cities in which card clubs operate in the State. We have a desire to grow our revenues and employment. AB 1168, however, precludes this possibility and, as a consequence, frustrates our ability to compete and grow.”

Author’s Amendments: The author will offer the following amendment in committee. The amendment will decrease the extension of the existing moratorium from 10 to 3 years.

Prior/Related legislation: SB 654 (Dodd) of the 2017-2018 Legislative Session. Allows a city, county, or city and county to amend its ordinance to increase the operating hours of a gambling establishment to up to 24 hours a day, 7 days a week. (Pending in Senate Appropriations)

AB 1039 (Hall), Chapter 745, Statutes of 2013. Allowed a city, county, or city and county to amend its local ordinance to increase the number of tables by two, above the number of tables authorized by local ordinance in effect on January 1, 2013.

AB 241 (Hall), Chapter 316, Statutes of 2011. Extended the gambling moratorium related to the expansion of cardrooms and the issuance of new cardroom licenses from January 1, 2015 to January 1, 2020.

AB 2193 (Hall) of the 2009-2010 Legislative Session. Would have extended the gambling moratorium related to the expansion of cardrooms and the issuance of new cardroom licenses from January 1, 2015 to January 1, 2020. (Vetoed by Governor)

SB 213 (Florez) of the 2009-2010 Legislative Session. Among other things, would have extended the moratorium on the issuance of new gambling establishments from January 1, 2015 to January 1, 2020. (Vetoed by Governor)

AB 441 (Hall), Chapter 530, Statutes of 2010. Modified provisions of the Act as it relates to the limit on increases in the number of gambling tables that a local jurisdiction may authorize without voter approval.

AB 293 (Mendoza) Chapter 233, Statutes of 2009. Made numerous changes to the Gambling Control Act, including replacing references to "gambling establishments" with "gambling enterprises" in specific sections of the Act.

AB 163 (Mendoza) Chapter 647, Statutes of 2008. Authorized a city or county, without voter approval, to amend an ordinance to increase the number of gambling tables that may be operated in a gambling establishment by 3 tables if the ordinance in effect on July 1, 2007, provided for 5 to 8 tables, and by 4 tables if the ordinance in effect on July 1, 2007, provided for 9 to 12 tables.

SB 730 (Florez) Chapter 438, Statutes of 2007. Among other things, authorized CGCC to issue licenses for a two-year period and required CGCC to establish a portable key employee license program.

AB 1973 (Bermudez) Chapter 854, Statutes of 2006. Among other things, extended the moratorium on the expansion of gambling from January 1, 2010, to January 1, 2015.

SB 1198 (Florez) Chapter 181, Statutes of 2006. Deleted "wagering limits" from the list of items that are considered expansion of gambling pursuant to the moratorium on the expansion of existing gaming in a locality.

AB 635 (Bermudez) Chapter 694, Statutes of 2005. Permitted local governments to revise their ordinances limiting the number of tables in card rooms by 24.99 percent or two tables, whichever is greater, as compared with the level or number operated or authorized on January 1, 1996, without voter approval.

AB 864 (Firebaugh) Chapter 872, Statutes of 2004. Permitted cities and counties to adopt ordinances permitting the expansion of gambling that result in less than a 25 percent increase, without voter approval.

SB 814 (Vincent) Chapter 799, Statutes of 2003. Authorized CGCC to renew gambling licenses for a period of up to 2 years. Specified that for any license issued for more than one year the licensee shall continue to pay the annual gambling license fee. Also, extended the moratorium on the expansion of gambling from January 1, 2007 to January 1, 2010.

SB 8 (Lockyer), Chapter 867, Statutes of 1997. Repealed the Gaming Regulation Act, and instead enacted the Gambling Control Act, which provided for DOJ to investigate and enforce controlled gambling in the state. It also establishes CGCC to regulate gambling in this state to issue, suspend, or revoke gambling licenses and extended the moratorium to January 1, 2001.

SB 100 (Maddy) Chapter 387, Statutes of 1995. Established the original moratorium on card room expansion, prohibiting the creation of new card rooms until January 1, 1999.

REGISTERED SUPPORT / OPPOSITION:

Support

Artichoke Joe's Casino
California Grand Casino
Commerce Casino
Hawaiian Gardens Casino
Hollywood Park Casino
Larry Flynt's Hustler Casino
Larry Flynt's Lucky Lady Casino
M8trix Casino
Oaks Card Club

Opposition

Bay 101 Casino
League of California Cities

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