

Date of Hearing: June 21, 2017

ASSEMBLY COMMITTEE ON GOVERNMENTAL ORGANIZATION

Adam Gray, Chair

SB 654 (Dodd) – As Amended April 18, 2017

SENATE VOTE: 37-0

SUBJECT: Local moratorium: gambling tables

SUMMARY: This bill authorizes a city, county, or city and county to amend its local ordinance to increase the operation hours of a gambling establishment to up to 24 hours a day, seven days a week.

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) 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.
- 4) Defines an "expansion of gambling," in part, as a change that results in an increase of 25% or more in the number of tables or hours a gambling establishment may operate based on the number of tables authorized on January 1, 1996.
- 5) 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.
- 6) Requires any amendment to any ordinance that would result in an expansion of gambling, as defined, in the city, county, or city and county, to be approved by the voters in that jurisdiction, unless that amendment results in an increase of less than 25% with respect to specified matters, including the number of gambling tables or the hours of operation of a gambling establishment in the city, county, or city and county

FISCAL EFFECT: Unknown

COMMENTS:

Purpose of the bill: According to the author, “since the enactment of the original moratorium on the expansion of gambling in 1996, local governments authorized to permit and regulate cardrooms have been precluded from amending their ordinances to expand gambling except for a few limited exceptions. SB 654 would give local governments with existing cardroom ordinances greater local control to govern the hours of operation for gambling establishments within their jurisdiction.”

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 Act grants authority to the Bureau to monitor the conduct of gaming operations to ensure compliance with state gambling laws and conduct extensive background investigations of applicants seeking a state gambling license. Additionally, the Bureau inspects premises where gambling is conducted, examines gambling equipment, audits papers, books, and records of the gambling establishment, investigates suspected violations of gambling laws, and is ultimately responsible for enforcing compliance with all state laws pertaining to gambling.

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 to 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.

Hours of operation: There are currently 89 licensed cardrooms in California, including 21 cardrooms that are currently closed. Of the 89 licensed cardrooms in California, there are approximately 67 cardrooms that are authorized by local ordinance to operate 24 hours a day, seven days a week. This privilege exists either because those cardrooms already had the authority to operate 24 hours a day, seven days a week pursuant to their original local ordinance prior to the gaming moratorium being established or because those cardrooms have taken advantage of current law which allows local governments to amend their local ordinances to allow for an increase in operating hours by less than 25% without having to get voter approval.

Based on information gathered by the CGCC, it appears that only 38 of those 67 cardrooms are currently operating 24 hours of day, seven days a week. Reasons for not taking advantage of the additional hours of operation vary, but many times it's simply that a cardroom does not have the necessary number of players needed to justify the additional hours.

This bill could impact approximately up to 22 card rooms, depending on which local governments decide to amend their local ordinances to allow their respective cardrooms to operate 24 hours a day, seven days a week.

Support: According to the California Police Chiefs Association, "The licensed card clubs that operate within city jurisdictions generate significant revenue for the general funds of local governments. Nevertheless, current law prevents cities from deriving the full benefit of their presence within their jurisdictions. For example, under current law, any adjustment of hours of operation of a card club is outside of the control of local government. Senate bill 654 will rectify that situation by placing the issue of hours of operation of card clubs squarely within the authority of local governments."

Prior/Related legislation: AB 779 (Burke), 2017-2018 Legislative Session. Would modify definitions establishing certain classifications of employees of gambling establishments and would authorize, rather than require, the CGCC to deny a license to any applicant for specific reasons. (Pending in Assembly Governmental Organization Committee)

AB 1168 (Gipson) 2017-2018 Legislative Session. Would expand the gambling moratorium related to the expansion of card rooms and the issuance of new card room licenses from January 1, 2020 to January 1, 2023. (Pending in Senate Governmental Organization Committee)

AB 2641 (Williams), 2015-2016 Legislative Session. Would have authorized the City of Ventura to determine the hours of operation of any gambling establishments located in the City of Ventura that was operating prior to January 1, 2016. (Never heard in Assembly Governmental Organization Committee)

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), 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**

Communities for California Cardrooms (Sponsor)

Casino Club

California Police Chiefs Association

City of Ventura

Cordova Restaurant and Casino

Fortis, LLC

Knighted Ventures

League of California Cities

Livermore Casino

Lotus Casino

Napa Valley Casino

Parkwest Casino 580

Parkwest Casino Lodi

Parkwest Casino Lotus

Parkwest Casino Sonoma

Racxx Cardroom

Rancho's Club

Saloon at Stones Gambling Hall

Seven Mile Casino

Tavern at Stones Gambling Hall

The 101 Casino

Wine Country Casino

Opposition

The California Coalition Against Gambling Expansion

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