
THIRD READING

Bill No: SB 576
Author: Archuleta (D)
Amended: 4/7/21
Vote: 21

SENATE GOVERNMENTAL ORG. COMMITTEE: 10-1, 4/6/21
AYES: Dodd, Nielsen, Allen, Archuleta, Becker, Bradford, Glazer, Hueso,
Kamlager, Portantino
NOES: Wilk
NO VOTE RECORDED: Borgeas, Jones, Melendez, Rubio

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Gambling: local moratorium

SOURCE: California Cardroom Alliance

DIGEST: This bill extends the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 1, 2023, to January 1, 2028. Additionally, this bill authorizes a city, county, or city and county, to amend its ordinance to increase the number of gambling tables that may be operated in a gambling establishment by up to two tables each calendar year, up to a maximum of 10 additional tables, as specified.

ANALYSIS:

Existing law:

- 1) Provides, under the Gambling Control Act (Act), for the licensure and regulation of various legalized gambling activities and gambling establishments by the California Gambling Control Commission (CGCC) and the investigation and enforcement of those activities and establishments by Bureau of Gambling Control (Bureau), under the Department of Justice (DOJ).

- 2) Prohibits the CGCC, until January 1, 2023, 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 the Bureau prior to September 1, 2000.
- 3) Prohibits, until January 1, 2023, an ordinance in effect on January 1, 1996, that authorizes legal gaming within a city, county, or city and county from being amended to expand gaming in that jurisdiction beyond that permitted on January 1, 1996, with minor exceptions.
- 4) 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.

This bill:

- 1) Extends the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 1, 2023, to January 1, 2028.
- 2) Authorizes a city, county, or city and county, to amend its ordinance to increase the number of gambling tables that may be operated in a gambling establishment by up to two tables each calendar year, up to a maximum total of 10 additional tables, above the number of tables authorized in the ordinance on January 1, 2022.
- 3) Provides that a city, county, or city and county's jurisdictional limit may expand to accommodate the increase of gaming tables pursuant to this section.

Background

Purpose of the bill. According to the author's office, "California card clubs are fundamental assets in many local economies, serving as the largest single source of total tax revenue for several city general funds. Cardroom taxes fund numerous services like public safety, public health, and parks to name just a few. Cardrooms also generate significant employment and secondary business activity in many communities. The Legislature has an established history of keeping a moratorium on the expansion of local gambling in card club. In turn, SB 576 will extend the

current moratorium to January 1, 2028 and allow a modest increase in tables at existing card clubs. This will provide predictability and needed financial stability to local governments that rely on revenue from licensed gambling.”

Gambling regulation/enforcement in California. The Act created a comprehensive scheme for statewide regulation of legal gambling under a bifurcated system of administration involving the Bureau within DOJ and the five-member CGCC by the Governor. The CGCC is authorized to establish minimum regulatory standards for the gambling industry and to ensure that the state gambling licenses are not issued to, or held by, unsuitable or unqualified individuals.

The Bureau monitors the conduct of gaming operations to ensure compliance with state gambling laws and conducts extensive background investigations of applicants seeking a state gambling license. The Bureau also conducts background checks for all key employees and state gambling licensees and vendor applications.

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.

The Bureau is also responsible for the approval of games that cardrooms are allowed to offer. This requires cardrooms to submit the rules of the games they are planning to offer to the Bureau. If approved, the cardroom is then allowed to offer that game at their gambling establishment.

Moratorium. Though the gaming moratorium is often discussed as a single entity, there are actually two statutory moratoriums that restrict the growth of gambling establishments in California. One moratorium prohibits the state from issuing licenses for new gaming establishments. The other limits gambling establishments from expanding gaming at their establishments, including additional tables. Both of these moratoriums are set to expire on January 1, 2023. This bill extends both of these moratoriums to January 1, 2028.

The moratorium restricting the expansion of existing gambling establishments and licensing of new establishments began in 1995. A five-year moratorium was put in place by the enactment of SB 100 (Maddy, Chapter 387, Statutes of 1995). Since this initial moratorium, legislation continuing both moratoriums has been continually enacted. Most recently, AB 1168 (Gipson, Chapter 744, Statutes of

2018), extended the moratorium by three years, from January 1, 2020, to January 1, 2023.

Since the enactment of the moratorium in 1995, the Legislature has also passed several laws allowing gambling establishments to expand the number of tables in a licensed establishment. Most local jurisdictions have modified their local ordinances to realize the maximum amount of growth authorized by law. This bill allows gambling establishments the ability to increase the number of tables at their establishments by up to two tables per calendar year, up to a maximum of 10 tables.

Related/Prior Legislation

AB 1321 (Lackey, 2021) excludes an increase in the number of tables authorized in existing gambling establishments from the prohibition on expansion of gaming and explicitly authorizes a city, county, or city and county to expand, by ordinance, the number of tables permitted in a gambling establishment. (Pending in the Assembly Governmental Organization Committee)

SCA 6 (Dodd, 2020) would have authorized sports betting, including online or mobile sports betting, by horse race tracks and federally recognized Indian tribes, as specified. Additionally, the bill would have incorporated into the California Constitution the authority of a licensed gambling establishment to offer games with cards or tiles in which participants wager against each other, including games in which a participant known as the player-dealer wagers against the other participants, and would have clarified that games played in this manner at a licensed gambling establishment are not banking or percentage games. (Died in the Senate Appropriations Committee)

AB 1168 (Gipson, Chapter 744, Statutes of 2018) extended the gambling moratorium related to the expansion of gaming and the issuance of new gambling licenses from January 2, 2020, to January 1, 2023.

SB 654 (Dodd, Chapter 244, Statutes of 2017) authorized a city, county, or city and county to amend its local ordinance to increase the operation of hours of a gambling establishment to up to 24 hours a day, seven days a week.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 5/4/21)

California Cardroom Alliance (source)
Arise LLC
Artichoke Joe's Casino
Aviator Casino
Banker's Casino
Bicycle Hotel & Casino
California Cities for Self-Reliance Joint Powers Authority
California Club Casino
California Gaming Association
California Grand Casino
Casino Club
Casino M8trix
Citrus Heights Police Department
City of Citrus Heights
City of Compton
City of Oceanside
Commerce Casino & Hotel
Communities for California Cardrooms
Crystal Casino
Delta C, LP
Elevation Entertainment
Empire Sportsmen's Association
Hawaiian Gardens Casino
Hollywood Park Casino
Kings Card Club
Knighted Ventures
Limelight Cardroom
Livermore Casino
Napa Valley Casino
Ocean's Eleven Casino
Oaks Card Club
Parkwest Casinos
PT Gaming
Stars Casino
Turlock Poker Room and Casino

OPPOSITION: (Verified 5/4/21)

Bay 101 Casino
California Cities Gaming Authority
City of Gardena
City of San Jose
League of California Cities
Yocha Dehe Wintun Nation

ARGUMENTS IN SUPPORT: According to the California Cardroom Alliance, “California card clubs are fundamental assets in many local economies, serving as the largest single source of total tax revenue for several city general funds. Cardroom taxes fund essential public safety and health services, parks, water delivery, youth services, gang prevention and transportation systems. They also pay millions of dollars in state licensing fees. Card clubs also generate significant employment and secondary business activity in many communities.”

In addition, supporters argue that, “these cities also have millions of dollars in long-term debt service that is financed in large part by club revenues. 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 across the state.”

ARGUMENTS IN OPPOSITION: According to California Cities Gaming Authority, “SB 576 is a devastating blow to approximately 64 cities with small and medium card rooms who want and need additional tables now and/or will need gaming tables within the next seven years. There are small and medium card room owners who want and need 15-20 additional gaming tables immediately for their economic survival as well as to accommodate patron demand. This measure threatens real physical harm to cities that are host to card rooms and other legal gaming operations, by denying local governments the ability to fully manage them and the revenue streams they represent for seven years.”

According to the Yocha Dehe Wintun Nation, “for almost ten years now, California gaming tribes have fought to stop the illegal gaming that occurs daily in California cardrooms. This illegal gaming includes the play of blackjack, which Penal Code section 330 expressly prohibits, and ‘banked’ games, which are constitutionally impermissible. Only Indian tribes that have negotiated a compact with the State have the right to play those games. The cardrooms not only infringe directly on the tribe’s hard-won gaming rights – which costs the tribes many millions every year that should go to support tribal governments and their citizens

– but they get to do so in urban areas, whereas the tribes’ gaming is limited to their mostly remote tribal lands.”

Prepared by: Felipe Lopez / G.O. / (916) 651-1530
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